

FAR EASTERN ECONOMIC REVIEW

Vol. VII

Hongkong, October 13, 1949

No. 15

FROM THE CONTENTS:—

Industries and Labour in the Far East
Sociological Conditions of HK Labour
Suspension of Hongkong/Japan Trade

Chinese Manganese
Developments in Shanghai & Tientsin
Economic Situation in Indonesia

Indonesia: Trade & Production;
Chemical Industry
Siam's Economy in 1948
Reports from Bangkok

PERSPECTIVES OF FAR EASTERN DEVELOPMENT

By E. Stuart Kirby.

This is the tenth and final article of a series, begun in the FAR EASTERN ECONOMIC REVIEW on August 4th 1949, discussing the general perspectives of the problem of economic development in the Far East. It will be devoted to a summary of the ground covered in this broad survey, and a statement of conclusions.

A powerful desire for economic development is operative in all parts of Asia. It appears in Eastern Asia almost as a basic instinct of the age, profoundly distinguishing the present setting from the age-old apathy which prevailed until only a generation ago. For this state of feeling is extensive: it pervades all classes and communities. But it is also intense, because it is now vividly realised that social, cultural or other progress is not possible in the East without some preliminary advance in material respects.

While reformers (of any school) may in the West think largely in terms of rearrangement, their comrades in the East must think essentially in terms of development. In other parts of the world, where economic conditions are even more "backward," the ideas of reform and progress are still comparatively vague and weak; but there is no doubt that Asia has entered an era in which collective consciousness of these issues is now a very important factor. Both Nationalism and Communism now build almost entirely on this impulsive desire for progress.

Unfortunately, strong motives like these lead easily (in all parts of the world) to various forms of wishful thinking. The economist and the geographer must warn, in the first place, that all Asia is comparatively poor in essential resources. The comparison is on the one hand with America or Europe, or even with that other main area of recent development, Russia. On the other, the comparison is with the great and growing needs of Asia's vast and multiplying population. Asia does not contain the basic resources to permit the scale or kind of development attained by the Western and Northern areas; Asia's minerals and sources of power are quantitatively insufficient, inconveniently located, and qualitatively unsatisfactory, by the standards of the older industrial regions. Yet it is heavy industrial

development that is chiefly sought; in most people's minds large scale industry in general, and metallurgy in particular, has become the symbol of a progressive and influential nation. An agrarian basis is taken (by those who know nothing of rural Denmark or Canada) to mean inferiority and stagnation: in the current and semi-meaningless term of abuse, a "colonial or semi-colonial status." Nevertheless, it is the agrarian problem that is actually the urgent and dangerous one, and its solution is a precondition of longer-term industrial plans. The agricultural situation is so bad that it is even an immediate threat to viability; insufficient food is produced, and the incidence of the increasing overpopulation is chronically on the agrarian sector, imposing Malthusian standards of wretchedness. Only a generalised and diversified pattern of development can furnish the means of checking the trend of diminishing returns and gradually restoring safety in this situation, which is really one of acute danger.

One of the most remarkable events in the present period is the virtual fusion, in the East, of Nationalism and Communism. Agrarian discontent gives them a common momentum; aspirations of industrialism give them their main ground in common. Only the right wing of Nationalism suggested that the needs and circumstances of Asia are different from those of Western countries; because the extreme form of this view was reactionary, proposing a return to past conditions, it was condemned altogether, though in its moderate forms it makes an important point. Another wide ground on which the Left and the Centre have joined in a united front is the cult of autarchism. Partly out of reaction from wartime circumstances of foreign domination and shortage of imported goods, the natural wish for local self-reliance has expanded into a desire for national self-sufficiency and a belief that full development (i.e. great industrialisation) can be attained anywhere on a localised basis. The nationalist believes his people are so great, his

country so rich in potentials, that they may certainly do what others have done in this direction; the communist holds that the power of the workers (a classification which he easily extends to be synonymous with "the people" in general) is so great that it can work the same magic everywhere under all conditions. Crude anti-foreignism simply adds fuel to these flames.

There is no doubt that these tendencies are much inspired by the great example of the recent history of Russia. The fact is forgotten that Russia is a vast territory, comparatively rich in land resources and relatively underpopulated, where expansion was possible on the basis of extensive agriculture. The Russians themselves are nowadays not allowed to remember the long years of privation that it cost them, nor the part played by the thousands of well-paid foreign "specialists" whom they employed, for the official doctrine of the now ultra-nationalistic Soviet Union is that Russian technology has for many centuries been in the vanguard of European science. Russia is today the most self-centred and self-contained state in the world; in the economic sphere, Russia has hardly any need of Asia's products, and can make no significant contribution to Asian development. Russian looting of industrial equipment in Manchuria, and the personal conduct of Russian soldiers there, gave practical proof of their intentions.

It is very curious that while the West is criticised in every other respect in Russia and in Asia—its standards, values and practices being questioned in all sorts of ways—this does not apply to its technology, which is received with naive enthusiasm. But belief in that technology is of course indispensable for the cultivation of the idea that industrialisation is easy, glorious and even pleasurable, and the conviction that it is attainable on a petty national basis. Politicians and publicists are heading the rush towards one of the greatest disillusionments in history, in promoting these illusions; the course of intensive accumulation of capital must in fact mean years or generations of penury, self-sacrifice, discipline, state control and manipulation. For these the mind and mood of the people is in no wise prepared; rather, in the day of liberation, they expect immediate and

exorbitant benefit, and the utmost personal freedom. Exaggerated propaganda about foreign "exploitation" may also have a boomerang effect: workers, encouraged to believe that capitalist concerns extract surplus value at the rate of hundreds or thousands per cent, will expect proportionate returns from socialised enterprises which are supposed to be run for their especial benefit. The leaders of these trends of thought must themselves share these illusions, or else they are cynically confident of maintaining control by their own methods when the inevitable disappointment comes.

At the same time, and most inconsistently, the Western world and America in particular are expected (by all but the over-confident extremely left) to furnish free and more or less unconditional "aid." If one particular incident may be cited, as it is absolutely typical of the spirit of the age, the story may be told of one densely-populated and full-blooded Asian community which, as the result of some educational propaganda about blood transfusion, unanimously passed a mass resolution that a free transfusion service should immediately be instituted locally—and a large stock of plasma be brought at once from Australia by air.

The experience of relief and rehabilitation grants so far has been rather unfortunate. But now something on the lines of a "Marshall Plan for Asia" is widely anticipated. Local pride is hyper-sensitive, and any suggestion that methods adopted in Western Europe may be inappropriate in Eastern Asia may be regarded as insulting. Enthusiasts wish to go in one leap from the simplest techniques to the most advanced; this applies not merely in engineering etc., but also in administration and economic theory. The most advanced achievements of international planning must be the models; and great skill is shown in attempting to apply the latest Western economic analysis to situations where its preconditions are lacking (i.e. in the bourgeois camp, where there is no complex and integrated economic system; and in the Marxist camp, where there is no proletariat).

Nevertheless, the European Recovery Programme is essentially a "pump-priming" device, an advance of working capital to a group of "going concerns," given in return for certain specific development undertakings actually involving a diminished dependence on the donor. It cannot be transferred to a case where the need is for basic capital for primary development, where quite different arrangements are necessary—and also different guarantees for the security of the investment. East Asia is very much less compact than Western Europe, not merely in the geographical sense, but in the interchangeability of its mental and practical procedures; so nearly "federal" a basis, requiring supranational bodies and much committee work—practically an international civil service—is hard to envisage in the East.

Still, some coordination and general planning can certainly be effected, possibly on a regional basis to start with, on lines foreshadowed by the work of the Special Commission in S.E. Asia, and by ECAFE. The advantages of a coordinated plan, as against a "free for all," or even successful regional development, are so obvious that no effort should be spared which can conceivably bring it nearer to realisation.

* * *

Advocates of a more generalised conception of development are likely to be Britain and Japan. Both these nations must "export or die," they must seek the maximisation of trade and intercourse, and propose multilateral expansion of economic activity, building up with capital that does not descend from heaven or Fort Knox, but must be currently earned and saved out of the extension of trade and ancillary services. They are main providers of the transport and communication which must more than any other factors, physically determine the tempo of Asian development. The impact of Japan on the outside world has to a great extent been screened by the circumstances of the occupation, and in particular by the Americans meeting the bill for Japan's feeding and maintenance. Occupation restrictions are rapidly being removed, and the Japanese pressed to earn their own living abroad; Eastern Asia will soon begin in feel again, on the commercial plane, the effects of the ingenuity and hard-workingness of the Japanese. This process of adaptation, indeed the whole economic history of Japan over the last eighty years, deserves the most careful study. Japan has given an outstanding example of the assimilation of Western technique, but also some invaluable lessons—and warnings—on the importance of internal stability. Japan's light industries, with the form of organisation which ensures a proper integration of the rural and urban economies, represent a much sounder principle of development than some that are now fashionable; this principle of diffused development may yet prevail, if some of the distortions that arose in the past can henceforward be avoided.

The possibilities of development should be so many-sided that Asian markets should give plenty of scope for all; if trade expansion is sufficiently great, and a reasonable division of labour can be arrived at, the British fear of Japanese competition should prove to be somewhat exaggerated, in the changed circumstances. The British interest in Asia appears entirely indispensable, from the point of view of any development prospects worthy of the name. The British Commonwealth and British institutions provide a framework without which overall development may indeed be impossible. The Sterling Area is the main and most convenient link between Eastern Asia and the world-wide economy, maximising contacts with just those other countries whose needs are complemen-

tary to those of the East. Europe under the Marshall Plan soon discovered that within the orbit of the general dollar problem there was a secondary question of some importance to be dealt with; namely, the necessity for a separate scheme of sterling payments in inter-European and colonial settlements. A similar issue would certainly present itself in any general plan of Asian development. Moreover, experience in overseas development activities in general, and particularly in factory techniques, banking, shipping, insurance and commercial practices, administration and many other matters, in the Orient and in all other foreign environments, is a sort of expertise more highly and widely developed by the British than by any other people.

American funds and American energy could provide a tremendous impetus to the process of Asian development. The extent to which, by force of circumstances, American aid and investment have been canalised in wartime and postwar conditions into governmental channels, easily leads people to forget that the underlying instincts and motives are still keenly individualistic. As soon as possible, the United States government may drop a controlling role which is fundamentally uncongenial, and American initiative may revert with comparative suddenness to a basis of full-blooded private enterprise in this field. American activities in commercial and industrial matters, governed by the attitude of helping those who have it in them to help themselves, the belief that progress makes room for everyone, and confidence in the economy of high wages, could have a tonic effect and provide the dynamism that Asia needs. But this must be applied through just such a network as the British Empire position in the East provides, and its effect would be much widened if other areas in Asia would move towards a similar basis of reciprocity. An examination of the present trend of American private and "semi-governmental" investment (as distinct from subsidies and political loans) clearly shows its natural mistrust of local particularism and nationalist restrictionism.

A planned policy in the form of a scheme of selective investment is another possibility. "Key points" might be chosen, either particular localities or special industries, where an injection of fluid capital might have the maximum effect from a developmental point of view, and these might be given priorities and facilities accordingly. This shades easily—indeed, with dangerous rapidity, by political and other standards of judgment—into what has here been termed a "going concern" policy, i.e. giving immediate backing to those countries or groups which are already well in the field and are credit-worthy from the investment point of view. This means in effect support of vested interests, discrimination, and in general the intensification of all the features of power-politics. The general objection to all such conceptions needs to be formulated also in another aspect; namely, that one of the exacerbating

ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann. (Los Angeles)

(Special to *The Far Eastern Economic Review*.)

Labour Troubles.

As predicted in my last report negotiations meant to prevent the outbreak of the steel strike in America turned out unfruitful. Quite recently the walkout in the Goodrich Rubber plant was terminated. The strike in the Ford Motor plants was averted in the eleventh hour by granting a pension to the workers. But the Hawaiian transport workers strike, the walkout of the soft coal miners, and the steel strikes are on. The consequences of this disaster can hardly be fathomed unless a speedy solution can be found.

To-day the steel industry is working at only 8 % of capacity. As can be shown, the impact of the coal and steel lay-offs is pyramiding from hour to hour. It will directly affect about

factors in the Asian situation is the unevenness of development, as between geographical, political and social groupings. This unevenness has been increased, rather than diminished, by the effects of the war. Only an overall plan, involving a generalised and equalitarian conception of progress, can remedy this situation and check the centrifugal tendencies which are now apparent.

The ultimate choice would seem to be between a general plan, in the spirit if not the form of the European Recovery scheme, and a tendency to disparate development on a Regional basis. South East Asia would more or less naturally from one Region, with special relation to the British sphere in the world outside. China, with Manchuria and North Korea, would be a component in the Soviet Bloc; in name and in reality, the expression is alarmingly reminiscent of the way in which Japan advanced to world-aggression. Russian weakness in transport would mean its practical separation from the rest of the world. Japan, under the Regional dispensation, would necessarily continue to be in part diverted from her natural role as the workshop of Asia, and occupy an artificial position in the dollar world. This is not to mention a third and greatly inferior alternative—which is that each country, or minor group of countries, should insist on the separatist and autarchical conception of self-development and self-sufficiency. Persistence in this course would probably bring a reversion to the economic conditions which prevailed at the very darkest hour of the years during which most of the Far East lay under Japanese occupation. Such a virtual breakdown must never again be allowed to occur. It is necessary to strive continually for a general plan, the true conditions of which are: cooperation and reciprocity.

ALL RIGHTS RESERVED

Copyright 1949 by Far Eastern Economic Review Ltd., Hongkong.

100,000 white collar workers; furthermore about 50,000 railroad workers. Monetary losses, due to the prevalence of these two strikes, amount to 30 million dollars per diem, as far as the two industries are concerned. The loss in daily wages approximates 11 million dollars, as far as the 900,000 strikers are concerned. Of these 514,000 are steel workers and 380,000 coal miners.

The motor car industry holds supplies of steel for about 6 weeks. Other industry, like machine shops, will be forced to discontinue work unless the two strikes are settled soon. Meanwhile President Philip Murray threatens that another 500,000 steel workers are likely to join the strike at the end of the month unless his demands for a company-financed 6 cents pension and 4 cents insurance are granted.

There were unmistakable signs of an economic recovery in the United States. These are now seriously being threatened by the inroads of those two major strikes. America witnessed an orderly retreat from inflation and had cause for seeing a small boomlet. Such tendencies are now endangered unless the strikes are being settled within a month. And the termination of the one without the end of the other would not bring lasting benefits to America's economic position.

Aside from retail stores, which are dependent on the clientele and buying power of the workers, and which now will not be able to sell much, the transport services, both railroads and motor vehicles, are bound to feel the destructive results of the walkouts first. It ought to be borne in mind that, in normal times, the steel industry and its direct customers, like auto manufacturers, makers of home appliances, shipbuilders, etc. are paying 40% of all wages earned in manufacturing in this country. It is not difficult to imagine the havoc that would be caused by a forced shut down of these lines of trade, losses which would directly affect all retailers, the earnings of not only the entire industry, but also the railroads and, lastly, the collection of taxes by the Government.

When it became clear that a peaceful settlement of the steel strike could not be reached, both the employers and also the workers attempted to justify their standpoint before the general public. The steel mills want the workmen to contribute toward the pension and insurance plan while the strikers insist that the entire project ought to be financed by the factory owners. When negotiations broke down, Mr. Philip Murray, after reviewing the sequence of the negotiations, issued the following statement: "This company," he said of U.S. Steel, "has stubbornly and obstinately refused to accept the board's recommendations as a settlement of the dispute. This company, in complete disregard of the national interest, has said no to the board, no to the union

and no to the President of the United States and to the American people. Our cause is just and righteous. We will continue this strike until a mutually satisfactory agreement is arrived at." The breakdown in contract talks, he said, "ends any hope of an early amicable settlement, which is a matter of the deepest regret to United States Steel."

The Ford Labour Settlement.

An agreement was reached on September 29 regarding the Ford pension plan, resulting in a win for labour. One must take into account that a shut-down in the motor industry would hurt more than, for instance, the current strike in the coal mines. After all, there are appreciably large stocks of soft coal above the surface, sufficient for about 6 weeks' consumption. But the auto industry still is very busy and prosperous. The weekly output of vehicles still exceeds 150,000 units. While one can now obtain, without long waits, delivery of most of the autos produced in the States (some luxury vehicles, like Cadillac, excepted), the demand still is very brisk in this country, for people of all walks of life prefer to drive.

The Ford Company, forced by circumstances, has set the example to the entire industry, and probably also to other manufacturing lines. It has agreed to provide a pension of \$100 a month to its workers if they succeed in living to the age of 65. The main difficulties of not only the Ford Company, but also the coal mine owners and all other industries agreeing to a pension scheme, are to start such schemes from scratch. In attempting this, it becomes obvious that it is difficult to create a big enough fund to meet the pension requirements of old-time workers who are entitled to go into retirement before sufficient funds are available. And only later on follows the problem to raise prices on motor cars, for not only has the basic material—steel—become more expensive, but the new pension project in the auto-industry equally demands higher charges, due to its contributions to the pension project.

Accountants in the steel industry maintain that, at 6 cents an hour for 2,000 working hours per annum (as proposed by the steel fact-finding board) would take the concerns 80 years to build up a large enough pension fund to keep it moving and to provide a \$100 a month pension for every worker reaching a certain age. In other words, the industry is faced with serious headaches. But somebody will have to provide the means to fulfil the motor car industry's promise to pay pensions: either the public using motor cars, or else the American taxpayer.

It goes without saying that the new Ford agreement is setting a goal to-day for millions of other workers. It is reliably estimated that the new pension plan, the result of 118 days bargaining, will cost Ford Company 20 million dollars a year. The new agreement runs to April 1, 1952. Under its terms employees with 30 years Ford service and 65 years of age can retire with monthly

pensions of \$100; they are forced to step out at the age of 68. Employees with less than 30 years service, or under 65, will obtain reduced benefits when retiring under the pension plan.

Optimism in America.

It would be futile to minimize the effects of America's labour troubles. Yet, in spite of their existence, and notwithstanding Russia's progress in Atomic science, there is a good deal of optimism as to future economic prospects. Some months ago I gave my own opinion in these columns; culminating in the conviction that 1949 will not be at a disadvantage as regards business results, or at least dividend incomes, when compared with the excellent results of 1948. Events are proving that my surmise then was correct.

Unemployment during September showed a further decline in numbers, being then 3,350,000 people. Farm prices, though about 14% below the levels prevailing a year ago, rose 2% between mid-August and mid-September.

One should have thought that the seriousness of strikes in America's major industries, combined with the bombshell emanating from the Soviet atomic explosion, ought to have caused a serious decline in stock values at the New York Stock Exchange. But just the contrary is happening, for prices are being well-maintained and even increased. This fact is a proof of confidence in the country's potentialities.

Payment of dividends before the year end are likely to be prolific. Partly because business is being well maintained, but also for other reasons. During the past few years many of the large concerns retained profits either for plant extension and modernization, or else as reserves and additions to working capital. Net earnings often were three to five times larger than dividends declared. By now plant expansion and modernisation has been completed in most cases. Silent reserves have grown fast. So, the U. S. Treasury Department might step in and enforce such surtaxes on extra profits, to which it is entitled, by declaring them unreasonable; this means that they ought to have been passed on as dividends to shareholders.

This "threat" is one of the reasons as to why higher dividends might be declared in 1949, notwithstanding the smaller earnings when compared with 1948. Another plausible explanation is to be seen, as already mentioned, in the termination of plant expansion and maintenance of unduly large inventories.

According to the New York Stock Exchange authorities 873 corporations listed on the big board there took the following action on dividends during the first half year: 244 companies increased dividends; 474 concerns maintained them at the old level; 118 reduced the size of dividends, while 37 deferred or eliminated them.

INDUSTRIES IN THE FAR EAST

PROBLEMS OF INDUSTRIAL RECOVERY IN THE FAR EAST

The devastation and economic consequences of the war left the Far East in a condition little short of collapse. The low levels of production and trade contributed to the continuing political disturbances and unrest in many areas, and these in turn constituted a major obstacle to recovery. A smaller total production of food than prewar, coupled with a growing population, have changed the region from a net exporter to a net importer of food. This change, together with lower production of several important export and other products, declining world demand for several principal export products, and limited credit resources, has combined to make the foreign exchange problem extraordinarily acute and to restrict the funds available for importing goods and materials for reconstruction and recovery. The collapse of trade with Japan has also been a significant factor. The principal shortages of producer and capital goods which limit a more rapid recovery in production include agricultural requisites, rolling stock, mining machinery, equipment and parts, petroleum, raw cotton, wood and wood pulp, coal, iron ore and steel.

Greater supplies of agricultural requisites would facilitate an improvement in food production. In particular, the potential requirements for chemical fertilizers are enormous. While a great amount of experimentation and instruction in utilization are necessary, the vast man-power resources, the small scale of agricultural units, and the ever-increasing need to maximize yields, are all factors favouring increased use of fertilizers. This calls for an expansion of the capacity to

produce fertilizers and an increase in its production of fertilizer materials, especially coal. With an expansion of food output, and especially with an expanded yield per unit of area, more resources could be devoted to the production of raw cotton. The region's supplies are far below requirements, and current imports, limited by shortages of foreign exchange, fail to fill the gap. Consequently, second only to food, cotton textiles constitute the principal shortage among consumer goods. Not only must raw cotton supplies be increased, but spinning and weaving capacity must be substantially enlarged both in order to render the Far East less dependent on foreign sources and to raise cotton textile consumption to more adequate levels. The textile industry is admirably suited to the natural advantages of the Far East.

With a more rapid rehabilitation of oil wells and mines, mainly through the repair of existing equipment and the installation of new equipment, greater production and export of mineral products would be possible. However, for most producing countries, imports of machinery and equipment and foreign technicians are a prerequisite.

The railroads have suffered heavily from war damage and inadequate maintenance and replacement. The most acute need is for locomotives. Wagons and passenger cars are also inadequate in numbers, and many need repairs.

In view of the general deterioration in their trading position the countries in the Far East should attempt to meet needs for steel products, machinery and equipment from own production to the greatest extent practicable. The basic materials needed are coal and iron ore, both of which are in abundance in parts of the region although current production is low. To expand output of coal and iron ore and to produce more steel are fundamental to economic recovery and expansion. Inasmuch as the region's capacity to produce steel and machinery is currently concentrated in China and Japan, most Far Eastern countries must import. China, however, except for a few items, has insufficient capacity to meet own needs.

A significant factor affecting the course of recovery and expansion in the Far East relates to the utilization of Japan's capacity to produce steel and machinery. The characteristics of the prewar Japanese economy were, broadly, the import of food and raw materials, particularly raw cotton, the export chiefly of silk and cotton textile, and the large-scale production of steel and machinery for use within the Japanese Empire. Currently and by contrast the picture is one of a need for even greater food imports coupled with a catastrophic decline in silk and cotton textile exports. Japan may, therefore, have to turn to the export of steel and machinery, no longer needed either for extraordinary expansion of domestic capacity or for supplying a war machine, in order to balance its interna-

The U.S. Treasury is entitled to place a surtax of 27½% on the first \$100,000 of unreasonably retained earnings, and 38½% on sums in excess of that. Rather than face such threats, most companies will prefer to pay off debts, make new investments and pay higher dividends.

Dividends in Great Britain.

By way of comparison one might refer to recent dividend policy developments in Great Britain. There the special tax on dividends was boosted from 25 to 30%; that is, after an income tax of 45% was paid by the corporation. And if directors there put profits into reserve, an extra 10% tax is being extracted. Sir Stafford Cripps threatened to restrict dividend payments by law in the event of companies failing to observe their voluntary maintenance of previous dividend levels. If private companies see that they have no more chance of increasing profits, private industry is likely to go to seed. There is no more incentive when it is "verboten" to increase one's income. The alternative seemingly is compulsion, if not slave labour and a sort of totalitarianism.

tional accounts. Such a development has been, however, impeded by a number of factors, notably the following: (a) There is, for one reason or another, reluctance among countries of the region to renew trade with Japan. These reasons include the strong feelings generated by aggression, the fear of a resurgent Japan, the desire to take over markets once supplied by Japan, and the increasing availability of supplies from other parts of the world. (b) There is at present little surplus food available in the region for exchange against Japanese steel products and machinery. (c) Raw material exports to Japan, especially iron-ore, coal, petroleum, and other mineral products are at low level. (d) Credit facilities are extremely limited, and all trade arrangements involve frequent periodic balancing of accounts in hard currencies.

Japanese reparations have recently been terminated after the U.S. Government decided to promote and protect Japan's economy. Only small quantities of reparations items have actually been shipped, and these have been chiefly machine tools from army and navy arsenals.

Increased output of staple exports in face of declining or uncertain world demand will not solve the foreign exchange problem in the Far East. It is more urgent to take the necessary steps, including the import of machinery and equipment, to increase production of food, petroleum, raw cotton, coal, steel, and machinery, the import of which currently calls for large outlay of hard currency.

* * *

GENERAL TRENDS OF INDUSTRY

China

The outstanding exception to the general improvement in industrial production in the Far East during 1948 was China, where the military and political situation resulted in economic deterioration. In the basic industries such as coal and steel, the low levels of output were little short of catastrophic. Cotton textile production declined from 1947 levels but stood at about 85 per cent of prewar output. Estimates of the production of several major commodities are as follows:—

Item	Unit	1947	1948
Coal	thousand tons	19,500	13,800
Electric power	million kwh	3,120	2,860
Cement	thousand tons	500	550
Cotton yarn	thousand tons	299	336
Steel	thousand tons	57	44
Tin in ore	thousand tons	4.1	3.9

While estimates of production in China vary widely, it is nevertheless clear that the mining and heavy industries were in a condition nearing collapse. Consequently those processing industries dependent on fuel, minerals and metals have been unable to operate effectively. The cotton textile industry, being centred in Shanghai and having obtained large

quantities of raw cotton from abroad, has been able to operate at much less abnormal levels than other major industries.

Before the war, trade between Japan and China, especially North China and Manchuria, had attained large proportions, and the economies had become to a considerable degree interdependent. The collapse of that trade has had a severe impact on both countries, and has been a major factor retarding industrial recovery.

The expansion of the military arena during 1948 further disrupted the transportation system with the result that the flow of goods and materials from one area to another declined. The galloping inflation was another major obstacle to recovery.

Japan

The greatest increase in production during 1948 in the Far East was achieved in Japan. Having a relatively great capacity lying idle for want of fuel and raw materials, Japan's industrial economy responded quickly to increased supplies of coal, iron-ore and several other basic materials. While the over-all index of industrial production during the year advanced by 43 per cent, manufacturing industries other than textiles increased production by 56 per cent. This sharp advance was led by the iron and steel industry as a result of increased supplies of coal and iron ore. The greater supply of coal and iron and steel brought about substantial increases in the machinery and metal products industries generally. The fact that coal is the life blood of modern industry was amply demonstrated in Japan in 1948. Stimulated by a series of top priority programmes laid down by the control authorities to rehabilitate the coal mines, coal production in 1948, reached 33.7 million tons, or 24 per cent above 1947 output. In addition, although exports rose from 815,000 to 1,190,000 tons, coal and coke imports rose from 33,000 to 1,170,000 tons (mainly from the United States and Canada). Thus the net supply in 1948 was about 27 per cent greater than in 1947. Through a rigorous allocation programme, more than half the increased supply was channelled to manufacturing industries other than textiles, so that they received 12.2 million tons in 1948 against 8.45 million tons in 1947.

The iron and steel industry received the lion's share of the increased coal supply. With respect to iron-ore, although domestic production advanced only 8 per cent to 535,000 tons, supplies were supplemented by imports of 550,000 tons (mainly from stockpiles in South China) which compared with no imports at all in 1947. The greater supplies of coal and iron ore not only resulted in more efficient operation of the industry per unit of fuel, but also in an advance of pig iron output from 360,000 tons in 1947 to 805,000 tons in 1948, while crude steel output rose from 936,000 tons in 1947 to 1,705,000 tons in 1948. (Scrap consumption by the industry rose from 1,020,000 tons in 1947 to 1,553,000 tons in 1948).

Greater supplies of iron and steel, as well as coal, brought about an estimated increase of 75 per cent in the output of machinery. Other main industries benefiting directly from the increased coal supply were ceramics and chemical fertilizers. For example, cement production increased by 600,000 tons or 48 per cent, and ammonium sulphate production advanced by 31 per cent.

Some advances in textile output occurred during 1948. Cotton fabrics advanced from 550 million square metres to 770 million square metres, but this was due mainly to delayed production of fabrics from 1947 on account of the time lag between the spinning of yarn and weaving of fabric. Cotton yarn production in 1948 at 125,000 tons was only 2 per cent higher than in 1947.

Production of rayon yarn of 16,780 tons and staple fibre of 15,900 tons exceeded 1947 output by 136 per cent and 83 per cent respectively, principally as a result of increased supplies of pulp and imports of salt for manufacture of caustic soda. Production of raw silk increased by 21 per cent to 670 tons.

Generation of electric power by the public utilities increased from 29,400 million to 31,700 million kwh. Of the increase, 900 million kwh. resulted from the increased allocation of coal to thermal plants. Inasmuch as an additional million tons of coal were required to increase the power supply by only 3 per cent, the value of the allocation may be open to question. Commercial and industrial consumption in 1948 was estimated at 75 per cent and residential consumption at 24 per cent of total consumption.

Japan's progress in 1948 has been impressive, but when compared with prewar levels, it is clear that the Japanese industrial economy has a long way to go toward recovery or full utilization of capacity within the limits laid down by the Far Eastern Commission. The general index of output of major industries, with 1938 as base, stood at 31 in 1948; the production index for coal and ammonium sulphate however stood at higher levels, i.e., 69 and 83 per cent respectively. Maintenance of the rate of recovery in Japan is contingent mainly upon continuing increases in domestic coal production and in imports of basic raw materials such as iron ore, coking coal, petroleum products, raw cotton, wood pulp, salt and other ores and metals.

Burma

Before the war, Burma was the largest producer in the Far East of lead and zinc and the second largest producer of petroleum. Most of Burma's lead and zinc resources are concentrated in the rich Bawdwin mine near Lashio while tin and wolfram come from a number of smaller mines in the southern peninsula. Wartime destruction of the mines and wells was so thorough, postwar conditions so unsettled, and shortage of capital goods so acute, that little recovery in production has yet been achieved. The great destruction suffered by the rail and

water transport systems has also been a limiting factor. In 1948, production of lead, zinc and petroleum was only a fraction of prewar; however, it is reported that progress was made in the rehabilitation of machinery and equipment in the oil fields. There has been some degree of recovery in the production of tin and wolfram, although rates of output are only about 20 to 30 per cent of prewar. Handicraft industries constitute an important part of Burma's economy. Considerable progress is reported during 1948 in the output of these industries especially in cotton textiles.

Indochina

Indochina's industrial production in 1948 registered marked improvements in several lines over 1947 levels, especially in the northern area. Progress in the reconstruction of industrial plant was the primary factor in the improvement of production. Civil unrest and disturbances and shortage of fuel and power, however, continued to be major obstacles to more rapid recovery. Shortage of man-power and mine supplies as well as unfavourable weather prevented a greater output of coal, although installation of new equipment and repair work proceeded satisfactorily. Production of 339,000 tons was 36 per cent more than in 1947 but represented only 15 per cent of 1938 output. Estimates place 1949 output at 420,000 tons. Cement production of 97,000 tons compared favourably with the 1947 figure of 40,000 tons but remained below the prewar level of 266,000 tons. Production in 1949 is expected to be about 150,000 tons. Shortages of fuel and power and occasional fighting in the area of the limestone quarries limit a greater volume of production. Production of alcohol, soap, glass bottles, beer, ice, oxygen, acetylene, and carbonic acid was substantially increased over 1947 levels but did not approach prewar output. With improved supplies of lumber and cement, new building construction continued to increase. Salt production of 64,000 tons showed a substantial improvement over the 1947 output of 41,566 tons, the entire increase occurring in South Annam, but was less than 4 per cent of prewar. Similarly there was improvement in cotton textile production, but output was only a fraction of prewar. Many important sectors of the mining industry continued to be inactive, particularly tin, tungsten, manganese, iron-ore, and phosphate rock.

Indonesia

Substantial progress in industrial rehabilitation took place in Indonesia during 1948; in this, ECA funds allocated to Indonesia played an important part. On the other hand, continuing political difficulties acted as a brake on recovery. Rehabilitation of the tin mining industry proceeded to the extent that 1948 output equalled the prewar level and was almost double that of 1947. Petroleum production also advanced impressively but remained well below prewar. Production of bauxite

increased five-fold over 1947 and exceeded prewar levels. Electric energy generation rose to half the prewar level, an increase of 50 per cent over 1947. The transportation system was also improved during the year, particularly in respect of inter-island and coastwise shipping. Shortage of coal and electric power, however, continues to retard a more rapid rate of recovery in many of the smaller scale industries, e.g., metal working and textiles. A number of such industries which rely heavily on imported raw materials, are not yet operating at full capacity because of foreign exchange shortage.

Philippines

Recovery in the Philippines continued during 1948, bulwarked by large dollar expenditure by the United States. Lumber production reached prewar levels, advancing by 40 per cent over 1947. Electric power generation (Manila only) was 40 per cent higher than in 1947 and more than double prewar. Coal production, estimated at 88,000 tons, exceeded prewar levels by more than 25 per cent. Much slower recovery was achieved in other branches of the mining industry. Iron-ore production, which exceeded 900,000 tons prewar, was insignificant. Gold output of 200,000 ounces was only about 20 per cent of prewar. Copper and manganese likewise were at relatively low levels. Nevertheless, the mining industry showed marked advances over 1947. Cotton textile production registered improvement but continued to be well below requirements. Restoration of road and water transportation was almost completed, but the railroads continued to operate below prewar capacity. As a result of severe war damage, especially in Manila, there is still an acute demand for new building construction. Consequently, during 1948, with the availability of ample funds and increased supplies of cement and lumber, building construction assumed boom proportions.

Malaya

Before the war, Malaya was the world's largest producer of tin, accounting for about one-third of the total supply. During the war the industry suffered extraordinary damage. Since the end of the war special efforts have been put forth to rehabilitate the mines, and great progress has been made in the installation of machinery and in repairs. Production of tin in ore in 1948 of 45,700 tons slightly exceeded 1938 output, was 167 per cent of 1947, and 54 per cent of the record 1940 output. In contrast, small progress has been registered in the rehabilitation of the iron-ore mines. Production was less than one thousand tons in 1948 against 1.7 million tons prewar. Coal, most of which is consumed by the railroads, showed a notable increase in 1948. Production of 375,000 tons was 166 per cent of 1947 and 72 per cent of prewar. Tin metal production increased from 30,000 tons in 1947 to 50,000 tons in 1948, but was still less than half the record output of 1940. Malaya's manufacturing industries, apart from

tin smelting and edible oils, are mainly of a small-scale character, producing principally for local needs. In general these industries made further progress during 1948.

Siam

Industrial expansion in Siam is hampered by fuel shortages. The electric power capacity in Bangkok, damaged severely in the war, has not yet been rehabilitated, and power supply is totally inadequate. Plans for hydro-electric development are being pushed forward but realization will take considerable time. The railroads consume a great quantity of wood fuel, and domestic cooking and heating depend largely on charcoal. As a consequence of the large consumption of wood for fuel, the forest areas are being denuded. Tin production increased in 1948 to 4,300 tons in contrast with 1,400 tons in 1947 but was only 30 per cent of the prewar output. The tin mines are still in need of substantial rehabilitation and replacement of machinery and equipment. Cement production in 1948 which amounted to 84,000 tons, was 42 per cent more than in 1947 and only 16 per cent less than the prewar average. The increasing production and export of rice and, with it, Siam's increasingly favourable balance of payments position, indicate a further improvement in industrial activity during 1949. Vigorous steps are being taken to improve the transportation system. Expansion of electric power capacity is under way, and the textile industry is being enlarged.

* * *

PRODUCTION OF MAJOR INDUSTRIES

(1) IRON AND STEEL

As in all major industries, Japan remains the largest manufacturer of iron and steel in the Far East. This was the result of utilization of indigenous coal and iron deposits, developments in the use of scrap, and imports of ore, pig-iron and coal from several Far Eastern countries. During the war Japan attained a peak production of 7.8 million tons of steel. Reduction of Japanese production from that level to the 1948 level of 1.7 million tons is the biggest single factor in the tremendous decline in the steel output of the Far East. Japanese production has fallen from prewar and wartime levels because of shortage of high-grade ore, shortage of coal, deterioration of plant, and scarcity of refractory materials. Japan's main sources of iron-ore, particularly Malaya, the Philippines and China, have all experienced drastic declines in output. During 1948, however, Japan entered into several agreements with countries to obtain a larger share of their iron-ore, and consequently made considerable progress, increasing production of steel by 82 per cent over 1947.

Growth of the iron and steel industry in China centred on the large iron and steel plants in Manchuria and North China. It was this development which made China the second largest manu-

facturer of pig-iron in the Far East. The great destruction of iron and steel plants in North China and Manchuria as a result of the war severely reduced China's capacity. On account of continuing unrest, shortage of coal and ore, and transport difficulties, China has not been able to restore output either in Manchuria or in other areas, and 1948 production of iron and steel was negligible.

The decline in the iron and steel industry of the Far East is one of the most important factors responsible for the low level of production both in industry and agriculture. The shortage of iron and steel is holding up the rehabilitation and expansion of industrial plant and transport systems and the production of many agricultural requisites. Even the construction of housing is being adversely affected.

Iron and Steel Production (thousand tons)

	Prewar average (1935-39)	Previous peak	1947	1948
Pig Iron:				
China	1,535	2,466	6	11
Japan	2,400	3,000	360	805
Steel (ingots or crude):				
China	810	—	57	44
Japan	5,300	7,824	936	1,705

(2) CEMENT

In all countries in the Far East output in 1948 fell short of prewar output. The greatest decline in production has taken place in Japan, where considerable capacity is idle. Cement production has declined simultaneously with the decline in the supply of coal. Considerable efforts were made in most countries to increase production of cement in the current year on account of its importance in industrial and transport rehabilitation. However, owing to coal shortage, nowhere is capacity fully employed. Japan's rated capacity of nearly 6 million tons produced only 1.8 million tons in 1948. Against the rated capacity of about 160,000 tons in the Philippines, production was only 115,000 tons. Similarly in Indochina, where rated capacity is 300,000 tons, production in 1948 was only 97,000 tons.

Cement Production (thousand tons)

	Prewar average (1935-39)	Previous peak	1947	1948
China	710	1,000	500	550
Japan	5,700	6,048	1,236	1,830
Philippines	150	190	134	115
Siam	100	120	59	84
Burma	50	67	—	—
Indochina	266	—	40	97
Indonesia	211	240	168	—

(3) COTTON TEXTILES

Cotton textiles are the premier industry of the Far East, whose production of cotton textiles has declined in relation to prewar. This has been a result of shortage of raw cotton sup-

plies and a decline in manufacturing capacity. This decline was concentrated almost entirely in Japan.

Mill Consumption of Raw Cotton (million bales)

Country	1937-38	1946-47	1947-48
Japan	3.45	0.73	0.61
China	3.08	2.87	2.90

Spindle capacity in Japan has been drastically reduced, from 11.5 million in 1939 to 4 million in 1948, and in China declined from 5.1 million to 4.9 million. Other countries have relatively small spindle capacity. Currently the number of spindles in Hongkong is over 200,000, in Indochina 130,000, Philippines 20,000 and Indonesia 2,000.

Mill Production of Cotton Yarn and Fabrics

	Cotton Yarn (thousand tons)		
	1938	1947	1948
Japan	553	122	125
China	394	299	336

	Cotton Fabrics (million metres)		
	1938	1947	1948
China	940	770	860
Japan	2,760	550	770

In Japan, even with the reduced plant, capacity production has not been attained. The main factors preventing greater production in Japan are, on the one hand, unavailability of adequate supplies of raw cotton from non-dollar sources and on the other hand the inability to sell greater amounts of textiles for dollars with which to procure raw cotton from dollar sources. In China the cotton textile industry is concentrated around Shanghai. Short supplies of cotton, fuel and power have been obstacles to full utilization of capacity, and 1948 output of yarn was only about 85 per cent of prewar. At the end of the war the Japanese-owned textile mills were taken over and operated by the Chinese Government.

Production of cotton cloth in the Far East is concentrated in China and Japan. However, appreciable amounts are produced in other countries. For example, in 1948 Indochina produced (in million metres): 2.8, Indonesia 18, Philippines 11 and Hongkong 28 million.

(4) SILK

In the development of the world's silk industry Japan has played a major role. Before the war, mulberry area accounted for about 10 per cent of its total cultivated land, and silk for 12 per cent of the total value of its agricultural products. In China, on the other hand, since 1928, civil warfare and Japanese invasion have resulted in extensive damage to the silk industry. As raw silk production advanced in the Far East as a whole, commercial consumption of silk came to be concentrated in the high-income areas of the world. The United States was the principal consumer in the world silk

market. Japan, with China second, was the main supplier to the United States, silk constituting about 40 per cent of its total exports up to 1930. However, during the 1930's the dominant share of silk in Japan's exports declined sharply as a result of diminished demand and falling silk prices. A significant factor in the decline in the United States consumption of silk from the 1929 peak was the progressive displacement of silk by synthetic fibres. Since the war, sales of silk in the United States market have been at very low levels, and prices have been lowered on several occasions. The degree of displacement of silk by synthetics is revealed by the fact that in 1946 the share of silk in the total output of women's hosiery in the United States was only 4 per cent as compared with 76 per cent in 1940.

Since 1940, the need for maximum food production led the Japanese Government to a drastic curtailment of mulberry area. Simultaneously cocoon production declined and a large-scale dismantling of reeling machinery was carried out. In China the Japanese occupation authorities pursued a policy of uprooting the silk industry. It has been estimated that 63 per cent of reeling capacity in China was scrapped between 1943 and 1946, and cocoon production declined by 87 per cent

(5) MACHINERY

All the Far Eastern countries have small-scale metal-working industries for fashioning tools and equipment and making repairs needed by local industries. All have railroad workshops and several have large ship repair facilities. However, the production of machinery on a large scale is carried on only in Japan and China. While political developments and shortages of steel and coal sharply reduced production in China, the year 1948 witnessed important advances in machinery production in Japan.

In Japan machinery production advanced generally over 1947 levels but remained below prewar output. The increased supply of coal and steel was largely responsible for the gains; nevertheless a great part of total capacity cannot yet be utilized because of coal and steel shortages. Following is the Output of Selected Machinery Products in Japan (in units):—

	1947	1948
Machine tools	5,720	8,050
Railroad locomotives	168	36
Railroad freight cars	860	4,300
Sewing machines	79,300	179,000
Cotton textile looms	11,885	36,837
Bicycles	314,000	830,000
Motor trucks	9,300	15,800
Diesel engines	18,300	22,500
Steel coal mine cars	7,100	15,000

(6) CHEMICALS

In the Far East chemical production is concentrated in Japan. Small quantities are produced in China. Although salt, a basic raw material, is produced in a number of countries in the region, both from evaporation of sea water and from mining deposits, inadequate coal supplies and electric power capacity,

except in Japan, limit a rapid development of the chemical industry. Japan's chemical industry in 1948 consumed 3.9 million tons of coal and 4,600 million kwh. of electric power. While 1948 production of chemicals was substantially greater than in 1947, it was only 25 per cent of the 1938 level. Rayon production advanced by 100 per cent but reached only 13 per cent of the 1938 peak. Although weaving of rayon yarn is carried on in a number of countries of the region, Japan is the only producer of the yarns and fibres.

Salt, in a number of countries, including China, Siam, Burma and Japan, is produced on a large scale from the evaporation of sea water. Much of the salt supply of the region, however, is mined from salt deposits, China being the chief producer. China is normally a net exporter of salt, and Siam also produces an export surplus.

(7) ELECTRIC POWER

War damage to plants and lack of fuel constitute the main limitations to full utilization of capacity. This is the case in Siam, for example, where in the absence of coal and oil, more rice husks and firewood are used for fuel than prewar. Power is rationed by shutting off current in certain areas for several hours during the daily peak periods of demand.

Postwar Electric Power Capacity

	Population (million)	(Thousands KW)	KW (per thousand persons)
Japan	78	8,539	109
China	461	1,332	2.88
Indonesia	69	350	5.07
Malaya	5.8	120	20.68
Philippines	19.5	108	5.53
Hongkong	1.75	72	41.14
Indochina	27	46	1.70
Burma	17	30	1.76
Siam	17	16	0.94

In China coal shortages and spreading civil warfare have dealt severe blows to the industry. In Shanghai, because of the growing shortage of coal, many boilers were converted to fuel oil burners. Supply of power in 1948 fell sharply behind industrial demand.

In the Philippines, there has been a marked improvement both in capacity and generation since the war, capacity increasing by 24,000 kw. The improvements were mainly due to the fact that after the liberation, vigorous steps were taken by the United States Army, the National Power Corporation, and by private enterprise to restore damaged power plants. The load growth, however, has increased to a phenomenal extent. For example, in the Manila area, the current demand is twice prewar in spite of the fact that there has been a suspension in the operation of electric street cars, that a large number of houses have been destroyed, and that many small factories are still not operating.

LABOUR IN THE FAR EAST

Occupational distribution of gainfully employed population

	Agriculture	Mining	Manufacturing	Transport	Trade and commerce	Professional and administrative services	Domestic service	Other	Total
Burma (1931)	69.5	0.6	10.8	3.6	8.9	4.5	0.7	1.4	100
Indonesia (1930)	68.8		10.6	1.5	6.2	3.3		9.6	100
Japan (1947)	52.3	2.0	21.5	4.5	7.2	7.2		5.3	100
Korea (1944)	73.0	2.2	6.8	1.6	4.2	2.8		9.4	100
Malaya (1931)	60.7		12.3	6.3	10.7	3.2		6.8	100
Philippines (1939)	68.8	0.9	11.3	3.8	5.1	3.0		6.2	100
Siam (1937)	88.6	0.2	1.9	0.9	5.3	1.6		1.2	100

Proportion of gainfully occupied population in total population

Country	Date of census	Total population (thousands)	Gainfully occupied population Number (thousands)	Per cent
Burma	1931	14,667	6,231	42.5
Indonesia	1930	60,727	20,871	34.4
Japan	1947	78,627	34,222	43.5
Korea	1944	25,120	10,271	40.9
Malaya	1947	4,903	2,000	40.8
Philippines	1939	16,000	5,320	33.2
Siam	1937	14,464	6,824	47.2

Labour Supply and Recruitment

Labour in countries such as China with heavy pressure of population on the land is largely indigenous. Only in newly developed lands, mainly in South-east Asia, does alien immigrant labour, usually Chinese and Indian, and to a small extent Javanese, play an important role. Such labour is mainly

found in factories, mines and plantations, and is engaged in the production and processing of raw materials for export.

Of the estimated 8 to 9 million Chinese emigrants residing abroad, over 90 per cent is concentrated in Siam, Malaya, Indonesia, Indo-China, Burma, the Philippines, and Hongkong. In Hongkong labour is entirely Chinese. In Bangkok, Siam's only industrial centre, labour industrial establishments of all kinds in 1947 was 66 per cent Chinese and 34 per cent Siamese. In Singapore in 1946, 62 per cent of the wage-earners were Chinese, 21 per cent Indian and 17 per cent Malay, Javanese and others. In North Borneo, in establishments employing 20 or more workers, indigenous labour constituted 57 per cent, Chinese 27 per cent, Javanese 13 per cent and others 3 per cent, in the third quarter of 1948. In Indonesia in 1930, Chinese immigrants constituted the largest alien group, forming 2.03 per cent of the total population, as compared with 0.19 per cent for other Asians, and 0.40 per cent for Europeans. In Manila, the industrial centre of the Philippines, Chinese immigrants numbered 70,090 out of a total alien population of about 74,000. In Indo-China in 1936, Chinese immigrants also constituted the largest alien group representing 1.42 per cent of the total population.

In the Malayan Federation and Burma, Indian labour is more important. In the Federation of Malaya in 1947, 46 per cent of the labour in estates, mines, factories and government departments was Indian, 32 per cent Chinese, 17 per cent Malay, and 5 per cent Javanese and others. In Burma in 1931, 9.4 per cent of the total employed population was Indian, and 1.5 per cent Chinese; in certain activities, the percentage of Indian

Generation of Electric Power (million kw.)

	1938	1947	1948
China	3,130	3,120	2,860
Japan	30,900	32,400	34,800
Manila	145	258	364
Bangkok	35	45	44

In Japan, where the bulk of capacity is hydro plants, and steam plants are used largely for standby purposes in the drier seasons, coal shortages have limited full utilization of thermal plants. However, inasmuch as generation and consumption of electric power are far ahead of general industrial production, and thermal capacity is only a small part of the total, electric power capacity and supply do not constitute a significant limitation to an expansion of economic activity.

The main immediate problem of other countries in the Far East is to replace worn-out and damaged machinery and to find adequate supplies of fuel. Requirements for electricity have been growing considerably and this has increased the pressure on existing capacity. Except in Japan, scarcity of electric power is an important deterring factor to industrial recovery and expansion.

labour was much higher, e.g., 16 per cent in industry, 37 per cent in mining, and 45 per cent in transport. In the Federation of Malaya and Burma the Indian immigrants are predominantly transients who work for a period and return to India with their savings. The tendency seems now to be towards making it more difficult for Indians to acquire rights of permanent residence. But the shortage of indigenous labour for plantations, mines and large scale agricultural development may lead the Governments to encourage a greater movement of Indian labour for temporary employment.

In China and Japan, industrial labour supply is primarily derived from overcrowded villages. These workers, however, are not completely divorced from their original preoccupation with agriculture; as a result, the relation between industrial and agricultural employment is close. It is not uncommon in China for farm workers to migrate to mines and factories during the slack agricultural season. This close relationship between industrial and agricultural employment necessarily results in a great deal of absenteeism and high turnover of labour. Because of the seasonal and migratory character of industrial labour supply and the consequent high proportion of absenteeism and turnover, it has been a common practice whether using local or immigrant labour, to hire contractors whose function is to recruit labourers from over-populated villages or from other countries having surplus labour available for emigration to less-crowded areas. These contractors usually keep on hand a large labour force of which a part is unemployed until required for service. Chronic under-employment under this system can only be rectified when the need for it is removed by better methods of recruitment and by the absorption of surplus population through industrialisation.

Since the war, a start has been made in the direction of better methods of labour recruitment and employment. Among these is the establishment of labour exchanges on the part of government and business. In China labour exchanges increased from 498 in December 1947 to 710 in June 1948 of which about 40 per cent were established by the Government. Complete returns from seven exchanges for 1947 show that as against 53,225 applications for jobs, there were 11,505 offers and 7,763 placements. These data are significant in showing that, while applications exceeded offers by almost four times, placements were only two-thirds of the offers made. There is evidently need for a greater number of employment exchanges as well as for more ample facilities for training unskilled workers seeking trained positions.

Labour Productivity

Recovery of productivity has been slower in the Far East than in Europe. Productivity is low in the Far East primarily because the ratio of labour to capital is high. Before the war, capital intensity in most countries of the region was much lower than in

Europe, because of industrial under-development. Moreover, the limited capital equipment of the region had to sustain the strain of war for a longer period than that in Europe—in China and Japan for over eight years. Since the war, it has been more difficult for Asian than for European countries to obtain new capital equipment and spare parts, while the spread of civil disturbance in a number of countries has caused further depreciation and loss to existing equipment. In newly independent countries in the region, technical and administrative personnel was found inadequate after the departure of European staff. The repatriation of Japanese technical and administrative staff from certain liberated areas had a similar effect. In South-east Asia, where immigrant labour, often more adaptable than indigenous labour to industrial production, has encountered new restrictions, production has often suffered a decline in consequence. Again, labour difficulties have increased since the war, owing to the failure of wages to catch up with the cost of living. Finally, labour in the Far East, although more numerous than in Europe, is generally less productive owing to lack of training in industrial technique and discipline, poor conditions of work, and high turnover, all of which have been accentuated since the war.

Conditions of Work

Conditions of work in the Far East are generally inferior to those in the more industrialised parts of the world. This is primarily due to over-population, accompanied by widespread under-employment and unemployment. Labour organization has advanced in recent years, but on account of the prevalence of illiteracy, lack of training and skill, and diversity of language, race, religion, and culture among the rank and file of labour, its strength for collective bargaining is still limited. Despite the efforts of the International Labour Organisation and of some Governments in the region to promote minimum standards of wages, hours, safety and other conditions of work, mechanism of enforcement has been found lacking or ineffective, and improvement has been haphazard.

Real wages, as an index of working conditions, nevertheless showed some improvement in 1948 as compared with 1947, although on the whole they were still below prewar levels. In China, there was an increase in real wages for industrial labour in four of the seven cities during the first half of 1948, as compared with 1947. In Shanghai, for example, real wages (1937=100) rose from 133 to 148, in Tientsin from 151 to 159, in Nanking from 113 to 126, and in Canton from 61 to 98. On the other hand, the index fell from 61 to 47 in Tsingtao, from 128 to 106 in Chungking, and from 88 to 84 in Hankow.

In the Malayan Federation and Singapore, while money wages in 1948 were 200 to 300 per cent above prewar, the cost of living was 300 to 400 per cent higher. Real wages, there-

fore, suffered a decline of about 25 per cent. In the Philippines, real wages, while recovering their pre-war (1941) level in 1947, declined again after August 1948 owing to a rapid increase in the cost of living caused by a sharp rise in the price of rice. This decline was a main cause of labour disputes. In Indonesia unskilled labour is currently paid 3 to 7 times the 1938 level, while the general price index is 6 times as high. In Japan the real wage index (August 1946-March 1947=100), rose from 121 in 1947 to 155 during the first eight months of 1948. It is probable that real wages in Japan during 1948 were still below the prewar level.

The decline in real wages in many countries of the Far East has meant a further deterioration in the standard of living. This has been a major factor in the increase in labour unrest since the war. In China, returns from Shanghai showed an increase in labour disputes from 1,716 in 1946 to 1,969 in 1947, and 1,339 during the first seven months of 1948, of which one of the primary causal factors was wages. In Hongkong it is officially recognized that further adjustment in wage rates of various grades of skilled labour is necessary to the solution of labour difficulties.

Labour Organization and Legislation

Labour organization has been growing throughout the Far East. This trend continued in 1949. Organized labour in the region, however, is still confined mainly to industries operated on a relatively large scale, for example, mines, factories, dockyards, railways, public utilities, and plantations. Various returns and estimates, official and unofficial, put the union membership total in 1947 and 1948 at about 12 million.

Labour Union Membership in Far Eastern Countries, 1947/48.

	(in thousands)
China	5,004
Hongkong	31
Japan	5,927
South Korea	84
Burma	41
Indonesian Republic ..	488
Malaya	195
Philippines	33
Siam	100

Throughout the Far East there has been a keener appreciation of the value of labour legislation in preventing or reducing industrial unrest. Governments have adopted a more positive stand to protect the interests of labour, to encourage collective bargaining and to avoid industrial unrest. The Malayan Union, Singapore and Hongkong passed a series of Bills on trade unions and trade disputes. Indochina has also recognized the worker's right to association and the principle of collective bargaining. A decree of 24 July, 1947, laying down the rules according to which the new labour and social security code of Indochina was to be established, recognized the principle of the community's material obligations towards the working man

and his family. It gives a new definition of the minimum wage, varying with the cost of living, recognizes the right to association and collective bargaining, and provides for the institution of labour councils, as well as conciliation and arbitration of disputes. Social security features, such as maternity benefits, old age pensions, etc., are also provided for.

In 1947 the Republic of Indonesia placed two enactments on the Republican Statute Book, the Labour Act and the Accident Act. The Labour Act, generally covering all wage-earners, provides for an 8-hour day and a 40-hour week, holidays with pay, and three-months maternity leave with pay. The Accident Act, covering industrial, plantation, forestry and fishery workers, holds the State responsible for the payment of compensation for accidents should the employer fail to make compensation. Since May Day, 1948, the employment of women workers underground has been banned.

Burma amended the Factories Act in December 1947, reducing the maximum permissible hours of work from 54 to 44 per week, and raising the minimum working age from 12 to 13. It also formulated in 1948 a seven-point labour policy aiming to promote employer-employee harmony, fair wages, arbitration of disputes, full employment, industrial education, vocational guidance, and social insurance.

In China the Constitution of 5 May, 1948 contains four articles (arts. 152 to 155) providing for adequate opportunity of employment, protective legislation particularly for child and woman labour, mediation and arbitration of disputes, and social insurance.

Progress in labour legislation, although encouraging, is held back by difficulties in providing effective machinery for enforcement. Official reports from China indicated that 76 per cent of the factories investigated in 1947 did not, in one way or another, conform to the Factory Law. In South Korea the United States Military Government complained that the newly enacted Child Labour Law of 1947 had not been generally observed, as also the maximum hour legislation. Employers who violated the law were, it is stated, ignorant of the law. In the Malayan Federation and Singapore, despite the Wages Councils Ordinance of 1947 and the Joint Wages Commission, it has been semi-officially pointed out that "there is minimum wage machinery but no minimum wage has been established."

Ineffectiveness of the enforcement of labour legislation arises from a number of factors, but principally there is a lack of realism in restricting the scope of the legislation as well as a failure to provide adequate machinery and staff for enforcement. In addition, the over all economic and social position of the region militates against rapid improvement in working conditions.

Sociological Conditions of Hongkong Labour

To understand the sociological conditions of labour in Hongkong, it is necessary to consider the Colony against the greater background of China. In times of comparative quiet and relative stability in China, the Colony supports a large labouring population, ample for its needs, with enough artisans to undertake the skilled work required in the shipyards, in industry, and the community services. The needs of the worker are simple and he lives on a subsistence level in dingy surroundings, on a plain diet, with a sufficient wage to buy cotton clothes, to pay his rent, to smoke an occasional cigarette, and to send a little money to his family in the country. The woman worker is worse off, but can still afford to live. Even at the best of times the balance between subsistence and want is fine, and a disproportionate segment of wages is expended on rent. In such conditions the working community has been comparatively settled and a large proportion of it will have been born and lived all its life in the Colony. In accordance with custom individuals may have been from time to time on visits to some town or village of China, which each will regard as his ancestral place. Only those who are more or less permanently in the Colony will as a rule have their families with them, but a tendency for new arrivals to bring their families with them was noticeable before the war.

Such a period of normality as is described above has existed in few out of the last 30 years, and the last time that settled conditions could be said to exist was 10 years ago, just before the Japanese started to make war in China. Since then the land has been troubled with constant strife and misery, and the end of an international war has seen only the intensification of a civil and political war, which had been quiescent during the national danger. The sons of the peasant, whose ancestral fields provide insufficient sustenance for a large family, the workers in towns where factories have closed down, and all those who find it difficult to make a living in their own districts, seek refuge and work elsewhere. For the inhabitants of Kwangtung and Kwangsi provinces Hongkong is often the nearest place where settled conditions prevail. These people do not as a rule bring with them their families, but they come to earn wages which can be transmitted to families in the interior. The economic effect of these additions to the reservoir of labour in Hongkong is not so much to reduce the wages of the labour but to increase the cost of rent and food, and in that way to depress the standard of living.

The war in Hongkong and the role of Japan had the effect of reducing the population. The end of the war, aided by the unsettled state of China, re-

versed the direction of migration, and by the end of 1946 the population was again normal, but still increasing. Although exact statistics are, of course, not available, it is probably now relatively stable, but still far larger than is economically desirable both for the worker himself and the Colony generally.

The most obvious effect of the war in East Asia was completely to upset the economics of rice production and distribution, and to this single factor can be attributed largely the rise in the cost of living of a population the staple article of whose diet is rice. Locally, the cost of living is probably higher than elsewhere in the East, and this is attributable to exaggerated rents which in turn spring from an increased population and shortage of houses. Although a certain amount of damage to residential property occurred during the war, the housing of the Colony has always been inadequate and war damage cannot be said to be a major component of the present serious housing shortage. Paradoxically, it is due to the stable conditions of the Colony that rents are high. The housing of the workers can be described only as reasonable in comparison with that found in other cities of the Far East, and for such accommodation the worker has to pay a disproportionately large amount of his wage. Difficulty in finding accommodation and its high cost has the effect of keeping the worker severed from his family in the interior. While this is unlikely to have here as serious sociological effects as it has in many countries, it is bound to have a rather unsettling effect on workers generally.

Reducing a complex problem to a perhaps unwarranted simplification, in order to improve the sociological conditions of the worker it is necessary therefore: (a) to reduce the cost of rice; (b) to attain a settled condition in China; (c) to restrict immigration into the Colony; (d) to build more houses of a type suitable for the workers.

There is little that can be done by anybody in this Colony which would affect (a) and (b). The domestic price of rice is kept under control by a rationing system introduced in 1945 and still in operation. As a system it is rough and ready, but works reasonably satisfactorily. It undoubtedly helps the worker. With regard to (c) it has never been found practicable or politically desirable in the past to restrict immigrants of Chinese race from entering the Colony. It is still impracticable. But were conditions in China to become more settled, the interchange of population would almost certainly slacken. The only factor which could be directly influenced by local action is the improvement of housing conditions, but little progress has as yet been possible in this direction.

The wages paid to artisans and to semi-skilled workers are sufficient to cover such needs, but remittances to families (outside the Colony) tend to absorb any surplus. Some European-owned concerns provide for the security of their workers by provident funds or contributory pension schemes, but little is done by Chinese-owned concerns in this respect. It must therefore be said that little security for workers exists in the Colony other than that ultimate and pervading security which arises from the traditional Chinese family system and the association of almost every worker with some individual family place in the interior of China. A workmen's compensation bill has been receiving the attention of the local Labour Advisory Board. In anticipation of the passage of the bill, employers, both European and Chinese, have been encouraged to provide compensation for their workers who have been injured, or for the families of workers who have been killed as the result of accidents incurred whilst on duty. In many cases when workers have been the victims of accidents and have complained to the Labour Office, it has been possible to persuade the employer to pay compensation in accordance with the terms of the projected Ordinance.

Some of the larger concerns, both European and Chinese, have medical facilities available for their staff, but usually not for their families. These facilities extend to the provision of simple medicines prescribed by government clinics or by physicians recognised by the companies. It is usual among such concerns also to pay for treatment and accommodation at government hospitals, and to grant pay during sick leave up to a maximum of three months for workers who have been in the service of the firm for a long time. Maternity leave with pay is not granted to women workers except by a few concerns including the Government. In most of the smaller concerns sickness spells trouble for the unfortunate worker, as there is no guarantee that he will be allowed to resume employment, and no assistance is given to him when sick. An improvement in these conditions can only be effected gradually.

Some European and very few Chinese concerns grant 17 paid holidays a year, in addition to holidays on Sundays, but the great majority of Chinese employees work on every day in the year, with the exception of certain recognised seasonal festivals such as the Chinese New Year (when up to a fortnight's holiday may be taken by the more well-to-do), Ching Ming festival and Christmas. There has been a noticeable trend among workers to demand holidays with pay, a demand to which employers in general do not tend to oppose much resistance, but until the working population generally is in a position to make better use of the extra leisure time thus obtained

Hongkong Labour Conditions

Labour Supply & Wages

Owing to the absence of immigration restrictions on Chinese moving to and from China, there is practically complete mobility of labour. It is common in South China for the bread winner to work in Hongkong while maintaining his family in his village in China where the cost of living is usually lower. Thus a demand for additional labour can usually be met by drawing on the reservoir of South China.

Skilled labour, however, has not been plentiful since the conclusion of the war. During the Japanese occupation many skilled workers died and for nearly four years no provision could be made for filling their places owing to the absence of opportunities for apprentices. The situation is improving

but monopolistic conditions have existed in some branches of skilled labour.

There is no reliable index for comparing the cost of post-war labour with pre-war rates, but broadly speaking, the overall rates of wages for unskilled, semi-skilled and artisan labour have increased between 300 and 600% compared with those obtaining in 1938. In certain sections of skilled labour the increase has been even greater. The bigger European employers divide the overall wages into basic wages and a High Cost of Living Allowance which fluctuates from month to month in accordance with a Food and Fuel Index. The increases in wages of white collar workers have on the whole tended to lag behind those obtained by artisans, but there is considerable diversity in the scales of payment made to such workers.

1938		1948	
		Basic	High Cost of Living Allowance
Artisans:			
\$ 1.10 — \$ 1.50	per day	\$ 3.00 — \$ 4.80	per day \$3.00 average
Semi-skilled workers:			
90c. — \$ 1.10	per day	\$ 1.60 — \$ 2.60	per day \$3.00 average
Unskilled workers:			
50c. — 80c.	per day	\$ 1.00 — \$ 1.50	per day \$2.40 average
Domestic servants:			
\$20.00 — \$40.00	per month	\$ 80.00 — \$160.00	per month
Chauffeurs:			
\$50.00 — \$75.00	per month	\$200.00 — \$350.00	per month
Taxi-drivers:			
\$30.00 — \$40.00	per month	\$180.00	per month

Strike Legislation.

In April of this year an ordinance known as the Illegal Strikes and Lock-outs Ordinance, 1949, was passed by the Legislative Council making it illegal to enter upon a trade dispute calculated to coerce the Government or to lead to a breach of contract of service the consequence of which might be injurious to the public. This ordinance will continue in force until the end of the year, with the proviso that it may be ex-

tended from time to time by the Legislative Council for a further period not exceeding one year in duration.

The reason for the introduction of this ordinance is that the Illegal Strikes & Lock-outs Ordinance of 1927 was repealed upon introduction of the Trade Unions & Trade Disputes Ordinance of 1948 without having its provisions, (which among other matters rendered illegal strikes and lock-outs having objective other than the furtherance of a trade dispute and being designed to coerce the Government, etc.) incorporated in the new ordinance.

In view of the tendency in a number of countries to employ action by way of a strike in furtherance of political objectives and in disregard of genuine trade union interests as well as of public order and welfare, it was felt that the Government should have such a measure of protection as the ordinance described above provides, though obviously it would not be put into effect except in a case of extreme necessity.

Development of Trade Unions

In China there exists a long tradition of craft and trade guilds, membership of which comprised both workers and employers. These guilds were formed with the object of fostering the craft and protecting its trade secrets, but the advent of industrialisation altered the character of those guilds which represented trades prominent in large factories and they began to acquire some of the recognised characteristics of western trade unionism. The development of industry in Hongkong gave a

it is not likely that the demand for holidays will be a really major point in workers' general policy. The deep-rooted tendency is simply to make use of leisure time to find casual employment elsewhere than in the usual working place. Education for children of workers is frequently provided in vernacular primary schools run by guilds or unions of which the workers are members, but the standard of teaching is in general low, and the number of schools totally inadequate to meet the strong desire always felt by the Chinese population for education. The Relief Section of the Hongkong Medical Department provides free food kitchens for the destitute or very poor, and various voluntary bodies provide relief in one form or another, but the extent to which public assistance can be given is obviously limited by the fact that there is no control over Chinese immigration into Hongkong.

trade union slant to a number of the craft guilds which represented the workers in these industries. Previously there had been in existence for a long time a large union of seamen and a responsible artisans' union in the Chinese Engineers' Institute. By 1939, there were 84 labour unions with a membership of about 44,000, and also about 89 clubs, some of which were purely social, others more nearly resembling unions, with a membership of about 7,000.

There was no compulsory registration of guilds or unions, but since 1920 it has been the practice for persons proposing to start up a guild to get prior permission from the Secretary for Chinese Affairs, a permission which was gratuitous and never refused, but which none the less conferred a certain formal recognition of activities, without giving any measure of control. Since the re-occupation of the Colony and up to the end of 1947, 147 guilds which can be classified as unions, 106 guilds of employers, and 65 guilds comprising jointly employers and workers in individual trade have been voluntarily registered with the Secretariat for Chinese Affairs. In addition some hundreds of guilds were voluntarily registered as clubs and miscellaneous associations, a number of them approximating to labour unions. None of these organisations has had any obligation to register or to disclose its membership or constitution, so that the classification by numbers depended largely on the rather optimistic figures supplied by the organisations themselves. With the passing of the Trade Unions and Trade Disputes Ordinance, 1948, voluntary registration is superseded. After 1st April, 1948, all associations of workers or employers with certain defined objects are required by law to be registered in the Labour Office by the Registrar of Trade Unions. This has the effect of clarifying the objects of these associations, both to their own benefit and to that of the public, and should enable the Labour Office to assist the unions to develop healthily along well-tested, recognised and responsible lines. It is difficult to judge at the moment the real strength of the unregistered unions and associations already in existence as their objects are so often ill-defined and as compulsory registration has not existed. A tendency to form industrial rather than craft unions, particularly in the dockyards, is observable. There are instances of the reverse tendency, such as in the building and glass-blowing industry. In these industries the guilds have agreements with the masters that all workers should be employed through the guilds. This development springs rather from old guild principles than from the western idea of the closed shop. Industrial unionism is likely to win in the long run, at the expense of the craft guilds, especially if those industrial unions within the same industry can sink their differences and amalgamate. For instance in the dockyards there are three industrial unions recruiting and attempting to regulate conditions of service for all types of workers, co-

Exchange & Financial Markets

Hongkong Companies

During the fiscal year April 1948 to March 1949 a total of 227 Hongkong companies (including China companies registered in Hongkong under Proclamation 27 'Emergency Registration of (China Companies)' and 52 foreign corporations were registered at the local Supreme Court (Registrar of Companies). At the end of March 1949, the total number of Hongkong companies was 2108 and of foreign companies 508. Out of this aggregate number of 2616 companies, 71 companies were in process of liquidation.

During the first six months of this year 131 companies with a total capital of \$203.5 million were registered. After the war, i.e. 3½ years from 1946 through June 1949 a total of 1011 companies with an aggregate capital of \$2457.5 million were registered. After the war the number of companies with large authorised capital increased compared to the pre-war period. During the last 3½ years (1946 through June 1949) companies with a capital exceeding HK\$ 1 million registered as follows:—267 companies with a capital each from \$1 to 5 m., 61 companies with a capital from \$5 to 10 m., 38 companies with a capital each of \$10 to 24 m., 9 companies with a capital each of \$25 to 50 m., 7 companies with a capital each of \$50 to 99.9 m., and 2 companies with a capital each of \$100 million and over.

US\$ Market

Highest & lowest rates of last week, in HK\$ per US\$100:—notes 609-595, DD 606½-592½, TT 608½-595. At the mean official buying/selling rate of DD London the local lowest and highest crossrates were US\$2.637-2.697.

Against the official rate on New York (mean buying/selling rate) the unofficial prices of last week were higher by 3.38% to 5.72%. In foreign free markets area account sterling quoted only slightly below the official London/New York rate of US\$2.80.

As the largest single buying factor—the gold importer—has been practically eliminated by the developments in

operating with each other, but yet unable to surrender their individual authority to a single union.

There has been a tendency for unions to align themselves in two rather loose federations, the line of demarcation being the sympathy or lack of sympathy of the constituent unions with the present political government of China. To describe these federations at present as trade union councils would be to give a false impression of their activities. Their organisation does not correspond with the Trade Union Congress in the United Kingdom. As long as the bases of the federations remain political, there is unlikely to be amalgamation or any real unity, and differences of opinion and lack of a common course of action can only do harm to trade unionism generally.

China (collapse of the KMT government and successful expansion of control over the country by the communist-led government of Peking) the local free exchange market will in future take its cue from overseas markets as to the movement of the unofficial sterling rate.

Last week's turnover totalled US\$ 1,930,000 in the native exchange market (TT 1,040,000, DD and notes 890,000). This figure does not include inter-merchant exchange contracts and private business which does not pass through the unofficial exchange market and exchange brokers operating in this market.

Gold Markets

Highest & lowest rates of last week, in HK\$ per .945 fine trading weight (hongping) tael of 1.2033 ozs. troy: 323½-311¼, equivalent to 338.90-326.60 per .99 fine tael and 281.64-271.42 per .99 fine oz troy (against official price of HK\$200 per fine oz.). Cross rates US\$ 46¼ high, 45½ low.

The expected fall of Canton may stimulate further imports of gold from Kwangtung and thus the hoarded and trading stocks may increase. Overseas bullion dealers have come down to US\$ 42½ which development has forced local prices further down. With exports to China a thing of the past and limited offtake by Indian buyers, world supply of gold exceeds demand considerably. Local prices are bound to recede further until they reach about the level of principal foreign bullion markets. As long as sterling quotes not much lower on the unofficial than on the official market the local gold price (in HK\$ per tael) appears too high and should encourage successful attacks by the bears. Central Bank of China sales of gold in Canton were sizeable and prices declined as a result of limited ability to digest.

Trading Reports of Last Week:—Monday, October 3:—Opening and closing rates \$323½-315. On the fictitious forward market the change over favoured sellers at the interest rate of 38 cents per tael of .945 fine per day. Throughout the week the change over rates remained in favour of sellers. The opening rate was the highest of the week. Lower contracted World prices and high change over interest weakened the market.

Tuesday, Oct. 4:—Opening and closing 313-316¼. Change over 19 cents. Lowest of the week 311¼ touched, speculators were idle on rather quiet market.

Wednesday, Oct. 5:—Opening and closing 320-322½. Change over 28 cents. Offensive of the People's Army began, market was stimulated.

Thursday, Oct. 6:—Mid-Autumn Festival, Holiday.

Friday, Oct. 7:—Opening and closing 323-316. Change over 48 cents. High change over rate induced bulls to unload.

Saturday, Oct. 8:—Opening and closing 315-322½. Change over 10 cents. Speculators heavily bought on bad war news for the Kuomintang Army. In the unofficial afternoon market rates continued to drop to 317 on news of heavy selling by the Central Bank of China in Canton.

During the week under review, official tradings were about 215,000 taels, and unofficially 3,500 taels, averaging 43,700 taels per day. Positions left open estimated at an average of about 185,000 per day, in which interest hedging forward operators, gold importers and Canton operators oversold, and Shanghai, local and Swatow operators overbought.

Cash bars turned over officially 28,000 taels and unofficially 24,000 taels, totalling 52,000 taels.

Imports during the week totalled over 17,000 taels, of which 12,000 taels from Canton and 5,000 taels from Macao.

Exports totalled about 12,000 taels, of which 4,000 taels to India, 3,500 taels to Bangkok, 3,000 taels to Singapore and 1,500 taels to Indochina. Local consumption estimated to be 4,500 taels. Local trading stock was about the same as in the previous week, 340,000 taels. Hoarded stock, though hard to be estimated, is believed to be around half million tael (mostly in possession of Shanghai immigrants, both merchants and KMT politicians).

Silver Market

During the week under review, bar silver and Hongkong dollar coins were nominally quoted at \$4.60 per tael and 3.05 per coin respectively; no business was transacted. The highest and lowest rates of Chinese dollar coins and twenty-cents coins were \$3.25-3.00 per dollar coin and \$2.90-2.70 per five coins. Prices were quoted and business was transacted only early in the week. Total business transacted valued about HK\$35,000.

The silver market here is now only for exchange of coins carried by travellers. The time of a revival of the local market is however expected soon. Chinese sailing-boat dollar coins were quoted in Canton at about HK\$2.60-2.50 per coin on Friday and Saturday, much lower than the Hongkong rates, and nearer to the world silver prices. After the People's Army entry into Canton, the vast silver coin stocks there, re-

ported to be over 30 million taels, must find some way out. Part of these coins will come to the Colony for disposal or for safe keeping and then prices will drop below world prices which should stimulate exporters here to trade. Future silver exports from here depend on the control of exports by the People's Government but in view of the ingrained habits of profiteering and smuggling, the local silver market should revive without doubt.

The holding of coins by the Central Bank of China in Canton has been exhausted and the Bank was selling gold to redeem their silver certificates. The Government Mint in Chengtu succeeded in increasing its coinage to 160,000 pieces daily, and may step up output to 200,000 pieces.

Chinese Exchange Markets

PB\$ Exchanges with North China:—Official rates in Shanghai were all unchanged during the week, but Hongkong dollar rate in Tientsin was raised from 550 to 600, caused by the trade balance swinging in favour of the Colony. Remittances from the Colony to the northern ports were all in small amounts. Gold and US\$ Exchanges with Shanghai:—The highest and lowest rates were:—900-865 for gold and 890-857½ for US\$ in exchange for 1000 in Shanghai. Business totalled only about HK\$120,000 in value.

Exchanges with Canton:—Owing to the threatening situation in Canton flight of capital from there to the Colony was continuous mostly in the form of T.T. and D.D. remittances, smuggling of gold, and shipping of goods to the Colony without surrender of foreign exchange. Rates dropped from par to 993 in Hongkong for 1000 in Canton; total business transacted estimated over HK\$19 million. Flight of capital came in the majority from banks and native banks. Rich individuals and wealthy KMT officials transferred their wealth out of China long ago. Many merchants began last week to move their native produce here. Hongkong currency was carried to the Colony by individuals. These bank notes were to be kept here for the time being, waiting for clarification of future conditions under the People's Government.

Exchanges with Swatow and Amoy:—Business continued dull and very little was done, totalled HK\$110,000, rates being about par.

Silver Certificates in Canton:—Rates of the certificates dropped at the end of last week to HK\$1.70 from previously 3.10. Coins dropped from \$3.10 to 2.50, a result of the apparent military collapse of the KMT army in northern Kwangtung and the early entry of the People's army into Canton. Against coins, the certificates suffered a discount of about 35%.

The Central Bank of China continued redemption of its unpopular scrip and there was no doubt that this policy of redemption would be maintained; however, the public got frightened and wanted to rid itself as quickly as possible of the certificates and rather suffered a big loss than to wait outside the gates of the Central Bank until certificates were exchanged against dollar coins. The Bank must however be blamed for having not intervened in this panic; this could have been done by opening redemption centres in every part of the city and eliminating racketeers and privileged persons who somehow succeeded to get from the Bank large stocks of coins which they offered on the market for certificates at a heavy discount. Some higher-ups in the KMT army suddenly had large stocks of coins which they exchanged into certificates and then they presented this scrip at the Central Bank—at the backdoor—and got coins in return, netting a 'profit' of some 20 to 35% (depending on the prevailing discount on certificates).

Central Bank holdings of gold and US notes are still considerable and thus no fear is entertained by informed circles in Canton as to the eventual 100% redemption of all silver certificates. However, the credit of the KMT and all its agencies has been lost long ago in the country and no promise now made, even if kept during some time, will induce the average Chinese to believe in the good will or good faith of the KMT regime. The 35% discount suffered by the silver dollar certificates at the end of last week in Canton is evidence for the loss of public faith in the KMT government. Nothing remains to be done now for this regime than to bow out of existence.

Unofficial Exchange Rates

Last week's highest & lowest rates for bank notes, in HK\$:—Piastres 11.70 forward and 11.85-11.75 spot; Nica guilders 24.50-24.30, Baht 27. Bank of England note 15.70-15.60 (in New York £ notes sold from US\$2.60-2.70, about 10 cents below the previous week as a result of more supply of notes which are mainly bought up by travellers going to Europe). Australian pound 11.80-11.72, Canadian dollar 5.15-5.10, Indian rupee 1.19½-1.18½, Burmese rupee 0.72-0.70, Ceylon rupee 1-0.98, Malayan dollar 1.83½-1.83½, Philippine peso 2.91-2.86.

HONGKONG OPEN MARKET RATES per US\$100

October	Notes		Drafts		T.T.	
	High	Low	High	Low	High	Low
3	6.06	5.95	5.99½	5.93	6.01	5.96
4	6.02	5.95½	6.00	5.92½	6.02	5.95
5	6.09	6.03½	6.06½	6.04	6.08½	6.06½
6	Holiday: Mid-Autumn Festival.					
7	6.07	6.00	6.03½	6.00	6.05	6.02
8	6.06½	6.03	6.04	6.00	6.07½	6.04

Hongkong Stock & Share Market

Last week's business tended to still lower levels and there was a remarkable absence of buyers. Transactions dropped to the lowest amount recorded during any week this year. Stagnation and entire lack of incentives characterises the local market. Sellers are only those who are compelled for one reason or another to liquidate; mainly such speculators whose credits with mortgaging local banks or private financiers no longer last. The price index fell at the end of last week to 124.56 which is only 1.24 above the lowest point reached this year.

The public awaits the fall of Canton and its repercussions on the economy of Hongkong. The People's army offensive has been long delayed and Canton thus has remained for much longer a time than anticipated in early summer under the control of the KMT government. Now, however, it seems that the entry of the communist army is impending and this expected event holds the attention of everybody in the Colony.

Most traders are of the opinion that the early take-over of administration in all Kwangtung by the new Chinese government will benefit the interests of China at large and of Hongkong and that, if such sanguine expectation turns out to be a fact, a renewed boom in business should ensue. Under such favourable business conditions the appreciation of local share prices must be expected; nevertheless, the long-range apprehension of Hongkong-China relations seems to preclude a real improvement in the securities market.

Possibly the resumption of normal diplomatic relations between Britain and other European powers, outside the Soviet orbit, and China under the new communist-led government may induce new confidence in the status of Hongkong—which is, after all, the point at issue when it comes to deliberations on local share prices. Nothing short of an easing of the present emergency-like conditions in Hongkong will bring about a change in the tone of the market. Until this moment arrives the market will not react favourably to improved commercial relations between communist-controlled South China and the Colony.

However, some advance in presently greatly depressed quotations is overdue; the current prices are unrealistic and offer a very attractive opportunity to investors who could obtain much over 10% annually. That so many prospective investors still do not enter the market is not their lack of appreciation of the extremely high yield of securities at current quotations but the widely held belief that political stability of Hongkong vis-a-vis 'red' China has yet not been established and that therefore liquidity is preferred to high interest yielding investment. Outport capital which previously played a significant part in local market operations has been absent for many months past and disinvestment by holders in the

COMMERCIAL MARKETS

SUSPENSION OF HONGKONG-JAPAN TRADE

Following sterling devaluation (which went into effect in Hongkong as from Sept. 20) Hongkong Government (Dept. of Supplies & Distribution) suspended trade with Japan as from Sept. 26. This controversial and definitely trade obstructive step has been taken by the Govt. Dept. concerned without any reason stated but it is understood that the sudden and unexpected devaluation of sterling caused bewilderment in the Dept. as to adoption of the new exchange rate and the carrying on of trade with Japan on the basis of the previous arrangement (i.e. open two-way account in Tokyo in US\$, to be balanced periodically, Hongkong export proceeds and earnings of Hongkong shipping, insurance etc. services to equal obligations arising from imports from Japan).

UK has adversely influenced other overseas investors and prospective investors previously interested in the local share market. In spite of the very high yield prospects and the low corporations profit tax levied here (10%) capital from abroad is shy to come to Hongkong being obviously satisfied with low yields and high taxation.

Business of last week:—

Volume of Business:—Total sales reported for the four days of trading last week amounted to 21,434 shares of an approximate value of \$½ million, a decline of ¼ million compared with the previous week.

Price Index:—The Felix Ellis averages based on the closing prices of twelve representative active local stocks declined to 124.56 showing a net loss of .30 compared with the close of the preceding week. Day-by-day averages were: October 3, 124.80; October 4, 124.70; October 5, 124.78; October 7, 124.56.

	HIGH	LOW
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	123.32

Business Done:

Hongkong Government Loan:—Hongkong Govt. 4% Loan @ 100½.

Banks:—H.K. Banks @ 1485; Bank of East Asia @ 105.

Insurances:—Unions @ 665; H.K. Fires @ 220.

Lands, Hotels & Bldgs:—H. & S. Hotels @ 10; H.K. Lands @ 48½, 52; Chinese Estates @ 140.

Utilities:—Hongkong Tramways @ 15.75, 15.60, 15.30, 15; China Lights (O) @ 11.20, 11.10; China Lights (N) @ 8.30; Hongkong Electrics @ 29½, 29¼, 29.

Industrials:—Hongkong Ropes @ 12½.

Stores:—Dairy Farm @ 37½, 37¼, 37½; Watsons @ 41½, 41; China Emporium @ 8.

With the establishment of the new sterling/dollar rate of US\$2.80 the local official exchange rates were changed to HK\$579.71 per US\$100, banks' selling, and HK\$571.42, banks' buying, or a mean rate of HK\$575.56. The US\$ was thus appreciated by about 44%. The exchange rates for Japan trade as fixed by the Dept. of Supplies & Distribution were previous to the devaluation of sterling HK\$3.95, buying, and \$4.02, selling, i.e. approx. the same as charged by the authorised banks for TT New York. The spread between buying and selling rate was however wider and in addition Government charged handling charges and commission, which added to the earnings of Government from its activities in and control over Hongkong's trade with Japan.

Merchants never liked the local Japan trade control but no alternative to this control was found in the past, at least no proposal for the elimination of Govt. control over trade with Japan met with more general approval among the traders concerned. At any rate, the control as such, its operation by certain officials, the supposed favouritism experienced in dealings with some apparently privileged commercial firms, the arbitrariness of many decisions were often and very persistently criticised here and the early abolition of the control was eagerly looked forward to.

Now comes the suspension of all trade with Japan which, although declared as of only temporary nature, hits trading interests here very hard, causes discontent and is, in fact, calculated to undo much of the good which Government has been able to achieve in the past in the interest of promotion of local business generally. The suspension of Japan trade, even for only one day, is utterly unnecessary and reflects not creditably on the acumen of the officials charged with control of Hongkong's trade with Japan.

The point at issue is the establishment of the new official exchange rates, i.e. the change-over from the old rate to the new rate by appreciating the US\$ by approx. 44%. To business men this indecision to establish the new rate appears absurd; it transpires that the Dept. of S & D would like to see exports to Japan continue but would only pay for export proceeds in Japan at the old rate (HK\$ 3.95) while, it is supposed, imports from Japan would have to be paid by importers at the new rate (HK\$ 579.71 plus heavy commission and brokerage).

Merchants negotiate at present with the Dept. of S & D but even at the middle of the current week no decision as to resumption of trade with Japan has been made. All imports from Japan remain embargoed, the Dept. does not issue any import licences pending the establishment of the new exchange rates; and exports are virtually impossible, although the Dept. would like to see them flow to Japan, as Govt insists on paying exporters only at the old exchange rate. How

long this situation is going to last is difficult to predict; already public opinion is unfavourably disposed towards many of the activities of the Dept. of S & D (which took over an altogether not too unblemished name from its predecessor, the Dept. of Supplies, Trade & Distribution), and the present deadlock is certain to exacerbate feelings here which should culminate in the general demand for the abolition of this untimely control.

It is urgently demanded by the commercial community here that Dept. of S & D adopts the new US\$ exchange rate as fixed by the Hongkong Exchange Banks Association without further delay, issues again import licences and takes such steps as are conducive to the promotion of trade with Japan.

* * *

Cement Production in Hongkong

During August cement production of the one company engaged in this business aggregated 6027 metric tons which was a good improvement over July when 5810 tons were produced. The monthly averages of local cement production for the first half year 1949, for the years 1948 and 1947 were respectively: 3057 tons, 4435 tons and 2852 tons. August production establishes a record, reflecting heavier demand for Government building projects and better off-take by private commercial firms which was the result of the narrowing in the price difference between the local product and imported cements.

Milk Production in Hongkong

During August the local dairy farms produced a total of 69,092 gallons of fluid milk which was a good improvement over the July output of 66,495 gals. The monthly averages for the first half year 1949 and for the years 1948 and 1947 were respectively:—55,566 gals., 42,987 gals., and 32,544 gals. The continual advance in milk production reflects the higher purchasing power of the local community, the 'milk consciousness' of large sections of the local Chinese population and the progress in dairy farming (with steadily expanding herds of Canadian and Australian breed). The largest and most modernly equipped dairy farm in the Colony with a Far Eastern reputation second to none, is the Dairy Farm, Ice & Cold Storage Co., Ltd., a British managed public company which is also the Colony's principal caterer with restaurants, cafes and stores spread over most districts of Hongkong.

Hongkong Meat Consumption

Animals slaughtered in public abattoirs during August numbered 50,824 (viz. 46,536 swine, 3940 cattle and 348 sheep). These figures compare very favourably with the July slaughtering total of 44,908, and with the monthly averages of the first half year 1949, and the years 1948 and 1947 respectively of 49,494; 49,272, and 41,249. In addition to locally slaughtered animals, the imported meat supply (mostly from Australia in the form of

refrigerated cargo) is rising thus testifying to improved nutrition of the Colony's inhabitants. It must be borne in mind when comparing the August figure with previous figures that the tropical heat during summer enforces a very reduced consumption of meat while in the colder months (from November to March) meat consumption is appreciably increased. Higher meat as other food consumption is partially accounted for by a larger population in the Colony (as a result of North and Central China refugees).

Vegetable Marketing in Hongkong

At the Government wholesale vegetable market in Kowloon the sale of vegetables is gradually increasing. In August this year a total of 924.9 tons of vegetables were marketed against 639.1 tons and 566.4 tons in the same month of 1948 and 1947 respectively. The largest items sold are water spinach, white cabbage, Irish potatoes, sweet potatoes, and Chinese flowering cabbage.

Raw Silk

A report that a shipment of raw silk could be shortly expected from Shanghai has been confirmed and the quantity available is reported to be 300 bales which is equivalent to 300 piculs of 20 and 22 deniers. This shipment is the first from Shanghai and is rather in the nature of a trial cargo indented at US\$3 per lb. c.i.f. Hongkong. Shortage of raw silk has created a heavy demand for this commodity and it is expected that further shipments will follow. The price offered for grade A was \$2,400 per picul, for grade B \$2,320 and for grade C \$2,240. The sale price was

accompanied by a stipulation that a definite order should be placed prior to shipment within fifty days.

On account of the acute shortage of raw silk on the local market merchants appear ready to buy Chungking raw silk in spite of its price and a certain quantity is therefore expected shortly. Chungking has ten raw silk factories with a yearly output of roughly 15,000 piculs. The price at source is reported to be 524 silver dollars per picul but by the time the same quantity of raw silk reaches Hongkong the price will approximate \$2,000 per picul. This heavy increase is due to transportation by air and the surrender of exchange which would be roughly 10 per cent. However it is not anticipated that there would be any difficulty experienced in disposing of the silk in Hongkong because of the existing shortage of supplies.

Exports of China Produce

Exports from Hongkong of tungsten ore, wood oil, tin ingot, cotton yarn, bristles, rapeseed oil all showed an increase during September over the August figures. The figures in detail are:

	August Piculs	September Piculs
Tungsten ore	2,688	12,714
Wood oil	25,708	67,287
Tin Ingot	1,415	3,887
Cotton Yarn	23,584	40,761
Bristles	4,195	50,31
Rapeseed oil	315	500

Tea however showed a decline falling from 6,991 piculs in August to 5,263 in September.

AMENDED

Hongkong Imports & Exports of Selected Commodities for the Month of May, 1949

The Dept. of Commerce & Industry having adjusted the details of imports and exports of selected commodities, (published in the *Far Eastern Economic Review* for June 29), the amended totals are given below:—

	Imports		Exports	
	Piculs	\$	Piculs	\$
Wolfram Ore	1,718	496,429	6,406	2,145,971
Antimony	1,944	285,750	5,255	1,003,328
Tin Ingots (Chinese)	7,977	3,913,187	5,913	2,975,311
Tin Ingots (Other)	504	271,795	—	—
Tinned Plates	20,580	1,034,300	11,103	690,546
Aniseed Oil	284	117,046	599	245,000
Cassia Oil	14	12,060	155	152,335
Coconut (Copra) Oil	417	43,769	770	76,155
Linseed Oil	331	51,503	2	206
Groundnut (Peanut) Oil	21,295	2,970,100	328	60,228
Sesamum Oil	24	3,960	217	54,056
Soya Bean Oil	5,142	611,730	31	4,903
Tea Seed Oil	28,324	3,708,760	24,043	3,429,072
Wood Oil (in drum)	57,733	6,420,203	24,307	2,798,029
Wood Oil (in bulk)	9,402	1,328,154	40,139	4,877,238
Other oils from seeds	8,015	865,513	678	91,544
Bristles	13,232	18,216,804	3,930	9,444,031
Rubber	17,759	1,679,960	22,974	2,016,553

Soviet & US Rubber Purchases

Following the recent purchase by the British Government of 1 million tons of wheat from Russia, it seems that the Soviet Government wishes to purchase rubber and coconut oil in exchange and the Russian Economic Mission in London has been making enquiries to this effect. This means better prospects for the rubber industry than for some time past, if as is anticipated the United States increases its stockpile of rubber.

During August Russia took 8611 tons of rubber from Malaya, and if the amount taken by Czechoslovakia (1186 t.), Poland (1190 t.), and Roumania (150 t.) are included the total amount for use behind the "iron curtain" would amount to about 11,000 tons, as compared with the 13,000 tons shipped to the United States. If the unusually large quantity of 4815 tons despatched to Hongkong is also included (forming more than one-third of the total despatched to Hongkong for the first eight months of this year), which is attributed to purchases by buying agents in Hongkong for shipment to Russia, the total quantity taken by the Soviet Union during August would exceed the tonnage supplied to the USA for the month (13,205 tons). Direct shipments to Russia usually go via the Black Sea ports of Odessa and Batumi; indirect shipments are usually transhipped at the Polish port of Gdynia. Shipments from Hongkong would go by way of Vladivostok.

US consumption of new rubber in August rose to 78,615 long tons compared with 70,611 in July; the August total, however, was 14.8% below the 92,265 tons noted for Aug. 1948. For the first eight months of this year 658,705 tons of new rubber were consumed, a drop of 8.6% from the corresponding period last year. The consumption of synthetic rubber in August was 33,891 t., compared with 80,014 t. in July and 38,582 t. in August 1948. The production of reclaimed rubber increased to 17,840 t. in August compared with 14,626 t. in July. Under the stipulations of the US Rubber Act, which forms part of the defence pattern, American manufactured goods must contain a proportion of home-produced synthetic rubber and while the home industry must not be neglected this should not prevent the stockpiling of natural rubber from Malaya or other countries in normal times when supplies are available. The minimum consumption of synthetic rubber stipulated by the US Rubber Act is 225,000 tons, but last year consumption rose to over 400,000 t.

The Double Tenth

Contrary to expectations the Communist armies did not celebrate October 10 (the Double Tenth) in Canton and perhaps because of this interval of waiting China's great holiday commemorating the formation of the Republic in 1911 passed off quietly. In Hongkong the crowds which were obviously determined to make the most of the day from a recreational point of view rather than from any political aspect were orderly. The streets were

perhaps rather less beflagged than is ordinarily the case and a surprisingly large number of Kuomintang flags were displayed. This may have been due to some extent to the lead given by the Chinese Chamber of Commerce which, after some deliberation and a few dissidents, agreed that the nationalist flag would still be hoisted. The five-starred communist flag was however also to be seen, notably at the headquarters of the Hongkong & Kowloon Federation of Trade Unions but no untoward incident occurred to mar the holiday spirit prevailing everywhere.

To judge from the hundreds of cyclists enthusiastically pedalling along the roads in the New Territories, British cycle manufacturers could be well satisfied with the headway their goods are making in the Colony. Carrying luncheon baskets and happily uninterested in whether a new regime would shortly have established itself in China, these hordes of young men covered the miles of hilly roads in the New Territories in fine style, spending the day in wholesome exercise on their "push bikes."

HONGKONG COMMODITY MARKETS.

Cotton Piece Goods & Yarn

The cotton piece goods market had a burst of activity last week and prices showed an increase: Grey sheetings Mammoth brand had a good turnover at \$51 per piece and \$51.50, Prosperous brand rose from \$51.50 to \$54, Dragon Head from \$51 to \$53, Elephant Head from \$44.50 to \$45.50, Four Lotus from \$49.50 to \$51: White cloth was in demand and Hsun Liang Yu rose from \$51 to \$53 per piece, Bee & Monkey from \$49.50 to \$52.50 and Camellia from \$50 to \$51.50.

Cotton yarn also was active filling the requirements of Cantonese buyers and local mills and prices improved: Double Lion 10's sold for \$1,180 per bale, Golden Mountain 10's for \$1,110; in 20 counts Double Golden Cock fetched \$1,150, Double Horse \$1,530, Lake \$1,270, Tien Kuan \$1,250, Water Moon \$1,280.

Metals

Galvanised mild steel sheets, thin, which had improved in the early part of the week slowed down later: Japanese G30 3' x 7' sold at \$14 and \$15.50 per piece and fell to \$14.50 with lack of interest on the part of buyers from Central China, 3' x 6' fetched \$13 and \$14 per piece and fell to \$12.50, Belgian 3' x 7' had a few sales at \$15. Galvd. mild steel sheets, thick, Japanese G24 3' x 7' improved to 80 cents per lb., but fell later to 78 cents, G26 fetched 90 cents, G28 sold for \$1 and later for 95 cents per lb. Mild steel plates were in demand by Shanghai and Tientsin buyers and prices improved: French 3' x 6' were short of stock and sellers held to their offers, 1/16" to 3/32" stood at \$58 per picul, 1/8" sold at \$52, 3/16" to 1/2" improved to \$50; 4' x 8' 1/32" fetched \$70 per picul, 1/16" and 3/32" stood at \$59, 1/8" at \$50, 1/4" & 3/8" at \$48 and 1/2" at

\$49. Cable advices from France report that the indent price of mild steel bars, square, round & flat has been increased from £25 to £27 per ton cif Hongkong; on the local market prices were: round bars 40 ft. 1/4" \$36 per picul, 5/16" & 3/8" \$35, 1/2" \$33, 3/4" to 1" \$30, 1 1/4" & 1 1/2" to 2" \$35, square bars 20-22 ft. 1/2" \$44 per picul, 3/4" to 1" \$42, angle bars 1/2" thick 3/4" \$51, 1" to 1 1/4" \$50, 3/16" thick \$58, 1/4" thick \$57, 3/8" thick \$48, flat bars 1/4" thick 3/4" \$44 per picul, 3/8" \$43, 1" to 2" \$42, 3/8" thick 3/4" & 7/8" \$43, 1" to 3" \$42, 1/2" thick 1" to 2" \$47. Zinc sheets were brisk with demands from local torch case manufacturers: 3' x 8' G5 improved to \$125 per picul, G6 to \$112; Japanese 3' x 7', though of inferior quality, also had some sales, G5 standing at \$110 while G6 rose to \$105 per picul.

Galvd. pipes were active and new arrivals of 4" met a favourable market at \$6.40 per foot, 1" old stock small size improved to \$1.10 per foot. Black iron pipes showed a slight improvement, 3/4" fetched 60 cents per foot and 1" 95 cents. With South Korean buyers in the market and a shortage of stock in several specifications, the price of steel wire ropes rose: 2" fetched \$2 per lb., but 1 1/4" with available spot cargo stood at \$1.60, 1 1/2" improved slightly to \$1.30, 2 1/4" stood at \$1.10 and 2 1/2" at \$1. Tientsin buyers were in the market for galvanised wire and G6 to G7 rose to \$53 per picul, G14 to G16 to \$55 and G18 to G22 to \$65. New arrivals of barbed wire from Belgium were on the market, and with Japanese cargo en route and a falling off of the demand from Central China prices kept low: Belgian 1/2 cwt. packing was offered at \$30 and later at \$29 per bundle, the Japanese make in 56 lb. packing stood at \$28; French 1 cwt. packing being short of stock was offered at \$56 per bundle. The lack of demand from local nail factories combined with heavy stocks held in Hongkong and re-exports to Canton caused a dull market in hoop wire: British G1 3/16" to 1/4" was offered at \$34/\$35 per picul and at \$36 with re-export permit, G2 was particularly dull 3/16" to 3/8" being offered at \$29 and at \$30 with re-export permit. With buyers from Canton and Macao in the market wire nails improved in price, particularly under 1" which was short of spot cargo: G18 1/2" sold at \$70 per picul, G18 3/8" at \$69, G17 3/4" stood at \$66 per picul. About 50 tons of tinplate cuttings arrived and met with a favourable market: ex-ship G1 (original packing) fetched \$21, G2 (straightened packing) sold at \$22 and \$23 per picul, satisfactory profits being made on these transactions.

Glass

Cable advices from European factories report advances in the price of glass since devaluation of the pound sterling and forward bookings have been raised from HK\$22 to \$25 per case cif Hongkong for 16 oz. and 18 oz. specifications, the average increase being estimated at about 13%. Unfortunately as an offset to this increase, sales are now falling in consequence of restrictions on the import of glass into

North and Central China; Taiwan also, which uses Japanese glass is obtaining supplies direct from the makers; the only export demand of any importance now comes from South Korea. Dealers, however, are saved from having to place orders now with the manufacturers as large stocks of glass are on hand in Hongkong, an estimate giving over 20,000 cases as the quantity. French glass 100 sq. ft. 16-18 oz. sold at \$24.50 per case for spot and later at \$25, Japanese 100 sq. ft. was offered at \$33 per case, coming down to \$31.

Cement

A brisk market met new arrivals of Indochina cement as Macao buyers were urgently needing supplies: Red Dragon brand spot price was \$6.60 per 1 cwt. bag; Taiwan en route cargo at the fob price of \$118 per ton was offered at \$6.45 per bag in the absence of cargo from Japan. Green Island cement in 94 lb. bags was fully absorbed by local demands and stood at the official price of \$5.60 per bag; Emerald brand (Green Island) fetched the usual price of \$6.50 per bag of 112 lbs., Emeraldcrete rapid hardening (Green Island) cement stood at \$7.50 per bag of 112 lbs., Snowcrete (British) white cement fetched \$55 per drum of 75 lbs. nett, Snowcem cement paint (British) stood at \$58 per steel drum of 112 lbs. nett ex-godown.

Paper

Local paper dealers are holding up their orders until they know the decision of the European Paper Merchants' Association in regard to prices following the devaluation of the pound sterling, a meeting of the Association having been called for November 10 instead of February 1, 1950, as at first arranged. New quotations received from Sweden for newsprint show an increase from £36.10/- to £40 per ton cif Hongkong and the local market has quoted accordingly, newsprint in roll being offered at 32 cents per lb. for spot. Tientsin and North Korea have restricted imports of newsprint to 1,000 tons each per month, but the October quota for each place individually has not yet been announced. Shanghai has been in the market recently for newsprint.

The cellulose market was active meeting demands from Canton and Taiwan; the British make was most favoured and sold at \$81 per ream for 36"x39" and \$95 for 40"x45". Aluminium foil fell in price, British 4.5x6.75 thin quality fetching \$3 as against the previous price of \$3.30 per lb., Canadian fetching \$2.90 compared with \$3.20 and the USA make being offered at \$2.80 against \$3.15.

Cigarettes

Canton and Taiwan buyers were active filling their requirements in cigarettes; packing in tins was preferred on account of transportation: Garrick improved to \$40 per 10 tins, 999 fetched \$54, 555 sold at \$38, Gold Flake at \$23.50, Players \$24, Craven A \$22.50, Capstan Magnams \$27, Capstan \$22 and Three Castles at \$26.

Gunny Bags

New arrivals of gunny bags from Pakistan totalled 6,000 bales; one-half of the shipment having been sold as en route cargo, 3,000 bales were still available for local spot requirements, prices accordingly fell transactions in Heavy Cees 29x43 taking place at \$2.82 per 2½ lb. bag, the spot price later falling to \$2.80.

Vegetable Oils and China Produce

With the growing threat to Canton from the Communist armies large quantities of tungoil (wood oil) and rapeseed oil have been despatched from that city to Hongkong the total amounting to over 10,000 drums. A shipment of 500 tons of tungoil has also arrived from Shanghai via Tientsin the first part of a total of 800 tons to be despatched to this market, as well as an additional supply of 4,000 drums from South China so that the market is well stocked. In addition tungoil at Chungking awaiting despatch to Canton amounts to over 3,000 drums, but owing to transportation difficulties only 30 to 50 drums a day manage to get through. Shipments of tungoil from Yunnan and Kweichow to Canton via Wuchow also amount to only 70 to 80 drums a day. These daily arrivals are considered sufficient to cover requirements, the export estimation from Hongkong being about 2,000 tons a month; however, the large stocks now being despatched from Canton as mentioned above must have a depressing effect on market prices.

A meeting has been recently called by vegetable oil merchants to discuss whether they will pay the additional charge of \$3 per drum for tungoil packed in drums and \$4 for teased oil drums such as is now arriving from Tientsin, but no decision has yet been announced. Prices of tungoil during the week varied, sales were first effected at \$162 and \$163 per picul, the former price being charged whether with or without drums and the latter for tungoil packed in drums with export permit, later the price rose to \$164 per picul with export permit and \$163 without. Teased oil had sales at \$153 per picul, a drop against the previous price of \$156. Rapeseed oil with export permit stood at \$105 per picul and at \$100 without permit.

Aniseed star was in demand by Indian exporters; the price stood at \$60 per picul for Nanning, Kwangsi, first quality and at \$55 per picul for second quality; Tung Hing, Kwangtung, first quality was offered at \$56 and \$55. Tientsin buyers were still in the market for China rosin filling their requirements for 1,500 cases, arrivals however were reduced and East River, Kwangtung, first quality rose from \$32 to \$34 and \$35 per picul, while West River, Kwangtung, which was inferior in quality sold at \$31, \$32 and \$34 per picul. New orders were received from Japan for green ramie at a price offer of the equivalent of HK\$222 per picul; on the local market Szechuen ramie packed for export was offered at \$220 per picul, non-export packing was at \$200, West River first quality stood at \$200; the cost of Shanghai ramie at source was \$185, the Chungking pro-

duct on arrival in Canton was priced at \$190, which would make it too high in price for export after shipment to Hongkong.

Local factories with export orders to complete were in the market for feathers: Haiphong second quality duck feathers fetched \$218 and \$216 per picul, Hoihow 'A' quality sold at \$248 and 'B' quality at \$244, Yunnan first quality fetched \$275, Indochina first quality sold at \$227 and Singapore second quality at \$202 per picul; reduced demands for goose feathers came from the USA, offers being made at US 60 to 62 cents per lb. for 85% quality, local sales were made at a price of \$440 per picul for 60% to 70% quality.

Ores

Stocks of tungsten ore (wolfram) in Hongkong are heavy and dealers are pessimistic over the prospect of any improvement in prices in the near future: a transaction of 30 tons of 65 degrees took place at the low price of \$210 per picul, South Korean standard quality was offered at \$215 and a new arrival of 100 tons from Hainan Island with slightly improved quality was placed on the market at \$215 per picul but without purchasers.

Bristles

Satisfactory profits accrued from the first order for bristles received from London since the devaluation of the pound sterling; the order was for 50 cases of Chungking black at 21/- per lb., before devaluation the price quoted was 18/- per lb. This so far has been the only deal in bristles but at that price other sellers showed readiness to dispose of their stocks. New York buyers also continue to be interested in Chungking black at US\$2.65 per lb., Hongkong prices being US\$2.525 and \$2.55 per lb., and during the month some 800 cases went to USA.

The difficulty lies in transportation which prevents supplies being equal to the demand only about 400 cases arriving monthly. Some 50 cases recently arrived from Kunming and Kweichow and it is reported that a shipment may be expected shortly from Shanghai. This shipment would consist of black bristles of 40% tops and 17 sizes from 2" to 7". The price in Chungking per case of 75 kilos was silver \$540 instead of the previous price of silver \$430; at this price the cost on arrival would be approximately HK\$2,360 per case. A recent New York offer for Tientsin 55 short stood at US\$5.65 per lb. but no transactions took place at this price as it was believed that eventually the price would be improved to around US\$6 per lb.

Fresh Fruits

Shipments of fresh fruits from the USA have kept the market more or less even although the advent of the Autumn Festival with increased demands made dealers hope to see an improvement in prices generally. A shipment of Korean apples consisting of 800 cases arrived in time for the Mid-Autumn Festival and were sold at \$29.50 per case; black grapes from the States were sold at \$40 per case and

red grapes at \$36 per case; the best apples reached \$35 per case; oranges in spite of the demand dropped to \$49 per case from \$54.

Smoked Rubber Sheets

Further steps have been taken by the authorities to prevent misrepresentation of destination by exporters of smoked rubber sheets. Under the new ruling exporters are required to deposit 25% of the value of the export with the authorities prior to obtaining an export licence and this sum will be returned upon handing in the certificate of receipt from destination.

Buyers from Tientsin, Yinchow in N. China and South Korea were in the market on a large scale. Singapore prices improved and the local market followed with Foreign No. 2 at \$115 per picul, No. 3 at \$107 and No. 4 at \$102, but North China buyers were not satisfied as they complained that very little profit could be made at these prices.

Sugar

The supply of special granulated white sugar in Taiwan is reported to be short hence the issuance of re-export permits to Mocao has been stopped by the Hongkong authorities. Stocks of sugar which were damaged by moisture are still plentiful in the Colony but sellers are holding back hoping that the shortage may enhance prices. A new shipment of about 20,000 bags of soft sugar is expected shortly.

Sugar intended for local consumption sold at \$44 per picul for dry bags and \$41 per picul for moisture-damaged bags. Buyers for Singapore and Thailand bought special granulated white quality at \$42.80, \$42.85 and \$45 per picul.

Beans

A fair amount of business was transacted in the soya bean market and Singapore buyers took 70 tons at \$40.40 per picul and 150 tons at \$40.60. It is expected that prices may drop as 43,000 bags of Dairen soya beans have arrived and other shipments are expected shortly; transactions have been completed at ex-ship prices of \$32 per picul and \$31 per picul. Sauce makers bought 1,000 bags at \$41.50 per picul.

The black bean market was dull, Shanghai quality offering at \$64 and \$65 per picul; Tientsin quality was bought forward by Taiwan buyers at \$42 per picul. Kalgan and Tientsin green beans which were short sold at \$54.50 and \$44.80 per picul respectively.

Cuttlefish and Mushrooms

It is reported that South Korean authorities have reduced the export of cuttlefish in order to improve the price which has been extremely low, but the amount of the export allocation is not yet known. Best quality cuttlefish sold at \$220 per picul and second quality at \$200.

The withdrawal of Japan import licences as at November 26/27 has affected the price for Japanese mushrooms; the position in the local market is reported as favourable, best quality selling at \$2500 per picul, second quality at \$2100 and third quality at \$1700 making a general increase of roughly \$100 per picul.

Chinese Manganese Ore & The World Market

(Special to the Far Eastern Economic Review.)

Pure Manganese is a hard, brittle, reddish grey or grayish white, metallic element found in many parts of the world, particularly in Sweden, Russia (the Caucasus in particular), Brazil, the U.S.A., China, the Federated Malay States, India and the Philippines. It occurs associated with many "Manganiferous" ores such as iron, silver, or zinc. The most important sources are Pyrolusite, which contains up to 63.2%

of Manganese, and Psilomelene which contains manganese from 45-60%.

It is used chiefly in the iron and steel industries to produce steel of various qualities to meet different requirements. It is also used in making manganese bronze and other alloys with copper, tin, aluminium, zinc, lead, magnesium or silicon.

The following table shows the World Production of Manganese Ore:

World Production of Manganese Ore							
Manganese ore produced in principal countries of the world, Mn content 30% or more, in metric tons.							
	1941	1942	1943	1944	1945	1946	1947
Cuba	251,385	249,255	311,214	257,864	198,243	130,764	50,397
Mexico	7,500	40,000	70,503	80,671	51,959	25,000	31,400
U. S. * ..	79,646	173,043	186,129	224,632	165,412	130,303	119,409
Brazil	437,402	306,241	275,552	146,983	244,649	149,149	142,092
Chile	47,200	71,292	114,074	43,989	7,445	15,659	19,352
Hungary ..	26,380	31,880	33,580	21,050	6,600	14,780	33,470
Italy	59,773	60,163	†	†	15,389	†	†
Rumania ..	15,032	29,021	37,417	†	†	18,807	†
Sweden ...	13,928	24,242	26,703	24,276	18,036	12,594	†
Spain	9,968	21,268	26,150	30,426	24,889	29,589	22,429
U. S. S. R.	2,393,000	1,823,000	1,000,000	461,000	2,251,000	1,700,000	1,800,000
U. K.	1,205	10,599	20,558	17,890	11,480	—	—
China	500	500	4,365	†	16,400	9,600	20,000
Bri. India	798,555	769,423	604,922	376,251	213,602	256,975	350,000
Japan	195,546	254,254	342,884	400,679	85,700	29,394	33,194
Gold Coast	498,881	691,016	534,362	479,499	713,013	777,583	589,655
Fr. Morocco	50,722	44,273	49,010	27,550	45,292	57,080	109,452
Union of S.							
Africa ...	445,893	394,445	219,122	108,883	114,546	237,897	288,213
Australia ..	13,824	10,422	6,351	2,210	1,000	†	†
Totals**	5,491,000	5,167,000	4,040,000	2,900,000	4,240,000	3,650,000	3,700,000

* Shipments. † Data not available; estimate included in total. ** Totals include miscellaneous productions.

The U.S.A. is the world's biggest consumer of manganese ore. The U.S.S.R. has been the biggest supplier of manganese ore since 1947 for the U.S. but it is reported that the agreement between these two countries for supplies of this ore already expired early this year. There should be some chance for Chinese suppliers to sell the ore of better grades to the U.S. market, while ore of about 44-45% purity can find a ready market in Japan, the biggest buyer of Chinese manganese ore for years.

So far as China is concerned, Prof. Chang Chi-yun states "Manganese is known to occur in Kwangtung (Chinhsien), Kiangsi (Loping), Kweichow (Tsunyi), Hunan (Siangtan), Kwangsi (Wuhsuan and Kweiping) and Liaoning (Hsing-cheng and Fengcheng). The deposits in Liaoning may prove to be the world's largest. Their contents were estimated at 200,000,000 tons and in 1937 they yielded 330,000 tons, a sizable output comparable to those of Austria and Soviet Russia. Other parts of China produced, in 1937, 120,000 tons of ore, an amount which is more than adequate for use by the steel industry of the present day."

Great as the potentiality may be for China to become one of the world's biggest suppliers, exporters in this Colony will be chiefly concerned with the

mines in South and South-west China, and it is for this very reason that the writer wishes to give a brief account of the mines in these areas with stress on Kwangsi's production.

Kweichow:—The deposits have not been worked on an extensive scale. No statistics are available. One thing is sure, that is, the output has not yet been of any significance in the light of export.

Kwangsi:—The situation is better than that of Kweichow. However, business in manganese ore is overshadowed by Kiangsi's exports of Wolfram.

Hunan:—Early in World War I, the Hanyehping Iron & Coal Company was mining this ore for use in their Han-Yang iron works, but it was not until 1915 that other companies started to develop the mines in this province for the purpose of exporting the ore. As a result of the huge demand of Japan, claims were staked out in Henuang, Chengchow, Euhsein, Anhua, Yochow and Siangtan where the output is the largest in this province.

Kwangtung:—Manganese ore deposits are found at several places. The most important ones are located in Chin-chow and its neighbouring districts, with Pakhoi as the shipping port. Prior to the outbreak of last Sino-Japanese War, shipments were not infrequently

made to Japan from Pakhoi by means of small Japanese steamers. However, business has not yet recovered since the war.

Kwangsi:—Deposits are found in the area extending from Luikiang, Sianhsien, Wuhsuan to Kweiping, about 90 miles in length and 3 miles in width. Though exact data with regard to the total deposits are unavailable, the quantity must be enormous judging by the size of the area. The ore found in Luikiang, Sianhsien and Kweiping ranges from 36% to 45% in purity whereas those in Wuhsuan possess as high as 48-56% of Manganese content and are, therefore, of the best quality. The following is an analysis made on a representative sample of Wuhsuan ore: Manganese 56.0%, Iron 1.4%, Silica 2.1%, Phosphorus 0.1%, Sulphur 0.1%, Moisture 0.3%.

Manganese ore from Kwangsi has long been exported to Japan. Perhaps it is wise to export the best quality to the U.S.A., where buyers like to purchase ore with a minimum manganese content of 48% or over, so as to fetch better prices.

It was reported that Japanese authorities approached the Kwangsi Government in 1948 in an attempt to reach some agreement on the supply of 50,000 tons of ore, but the deal does not seem to have been materialized. What can be confirmed now is that at least about 2000 tons were lately shipped to Hongkong and half of the said amount has been delivered to Japan. The remainder will also find its way to the same destination eventually. The quality is only of 44-45% purity.

The most serious handicap to a substantial business in Kwangsi manganese ore is the difficulty in transportation. Most of the mines are some distance off the water-side. Imagine the time and labour required for removing the output from the mining area to the water-side to be loaded on board junks heading down river for Canton. In the absence of modern facilities such as light railway and highway, the miners are often compelled to make the most of ox-carts, which would jostle and creak all the way as if complaining of the antiquated assignment. However, one has good reason to believe that either the mine-owners or the government authority will try to overcome such handicap once the situation in South China is settled.

Grades of Ore:—The grades of manganese ore as adopted by the largest producers all over the world are as follows:—

Grade	Manganese	Iron	Silica	Phosphorus	Sulphur	Copper
Special	50%	2-4%	5-6%	0.1-0.18%	trace	trace
No. 1	45-49%	5-7%	5-7%	0.15-0.2%	trace	0.026%
No. 2	40-44%	5-7%	7-12%	0.18-0.22%	0.02-0.09%	0.026%

Moisture:—in all cases the moisture should not exceed 1%.

Requirement of Japan:—Since Japan is going to buy from abroad in this fiscal year up to 100,000 metric tons of manganese ore, the requirement of Japanese buyers would certainly be of some interest to those who desire to participate in this business:

Quality to be guaranteed:—Manganese 45% up, Iron 4% or lower, Silica 4% or lower, Phosphorus 0.12% or lower,

Economic Developments in Shanghai & Tientsin

SHANGHAI

Effectiveness of the Nationalist-imposed blockade is apparent in latest reports that Shanghai industries are now operating at 30 to 40 percent of normal levels. Raw material stocks are being steadily depleted with no immediate prospects of obtaining replacements. Moreover, marketing of both industrial and consumer goods is handicapped by military priorities established for existing limited railway and inland water transport facilities. Finally, the severing of overseas markets is a decided deterrent to industrial production.

Banking and Finance: 173 banks met the September 20 deadline for recapitalization by paying in to the People's Bank of China the equivalent of US\$4.5 million in cash and nearly US\$1.7 million in assets. 19 banks were forced to close because they were unable to meet recapitalization requirements. Thirteen foreign banks in Shanghai have not yet increased their capital. Because of this situation, the money market became tight.

Despite the establishment of more favourable telegraphic transfer rates on September 15 as an aid in counteracting the steady rise in official foreign exchange rates, these TT rates were still below realistic or black market quotations. While the official US dollar exchange rate advanced only 150 during August, the rate increased by 400 in the second week of September, advancing from PB\$2,800 on September 13 to PB\$3,200 on September 19. On the latter date, the telegraphic transfer rate for the dollar was 3,500 while the black market rate was up to 3,700. Although the spread of 6 percent between official and TT rates since September 15 is not high when compared to the occasional spreads of as much as 20 percent under the KMT, the fact that the black market rate has steadily kept ahead of each rate rise is of significance. The official TT rates for London and Hongkong were on Sept. 19 respectively PB\$9,800 and 530.

Foreign Trade:—In view of the Nationalist blockade which has resulted in the virtual standstill of foreign trade, the recent arrival of the first two American vessels in Shanghai since the closure of the port on June 25 has great significance. Both the SS "Flying Clipper" from Taku Bar and the "Flying Independent" from Hongkong were berthed at Hongkew-Shanghai wharf on September 18. The "Independent"

was stopped by Chinese naval craft at the mouth of the Yangtze but was permitted to proceed, while the "Clipper" was also apparently cleared by the same patrol vessel.

Goods imported prior to September 1947 in violation of Nationalist import regulations are to be released to importers after payment of charges incurred by the Central Bank of China. Although these shipments are said to be large, importers may let them go by default because of warehousing charges.

A 50 percent discount is to be granted on rail shipments of bristles, tea, tung oil, and raw silk originating from the south and destined for Tientsin, provided they are intended for export. The same discount applies to shipments of raw cotton destined for the Northeast and domestic mill use in the north.

Foreign Trade Regulations:—With respect to the rules governing the importation of merchandise licensed by the Nationalist Government prior to the takeover of Shanghai a further provision is made, viz: (4) Where an importer had previously arranged for a shipment of goods not now permitted under the new foreign trade regulations (but covered by an old import license and with self-provided foreign exchange) and is unable to purchase substitute supplies that are permitted entry because of charges incurred in the interim on the old shipment, he may apply for a reduction in the cost of the new goods by submitting documents showing the amount of losses incurred. The amount of foreign exchange required for the new shipment will then be correspondingly reduced and new licenses will be issued for the import of such goods within a specified time. In no case is the amount of private foreign exchange to be left abroad.

Business Tax:—Business tax collections now total PB\$7 billion (equivalent to slightly over US\$2 million at current official exchange rates.) While exemption from the tax levy was granted to certain public utilities, banks, etc., some state-operated enterprises must pay the tax presumably on the grounds that they are in competitive fields.

Commodity Tax:—New commodity tax rates and regulations were announced in Shanghai on September 15. (The collection of commodity tax—levied alike on both specified imported and domestic goods—was resumed shortly after the communist takeover.) Several items in addition to those subject to the tax under the Nationalist regulations have been added. These include: spices; glass; dyestuffs, pigments, and paints; certain mineral items; fish products; and bamboo and lumber. Under the revised regulations, the new commodity tax rates apply to all goods not yet traded or which remain in the factories. While goods in retail stores are exempted from the tax, all wholesalers, godown and warehouse owners are required to register their stocks and pay the tax on affected articles at the new rates. Certificates are to be issued upon tax-paid goods destined for other areas in order to avoid duplication in payment.

Commodities.—The practice of dumping of rice, flour, sugar, cotton yarn, and cloth on the market by the authorities, together with plentiful arrivals of rice in Shanghai, has resulted in a steady market with first-quality rice selling at a low of PB\$44,000 a picul on September 16. (There has been a steady decline from the peak price of 70,000 registered on July 16.) As a result, the parity deposit unit declined from 833 on September 13 to 745 on September 19, a drop of 88.

TIENTSIN

Foreign Trade.—On September 15, the local press reported that the North China Foreign Trade Company, a subsidiary of the North China Foreign Trade Control Bureau, had been reorganized into 5 separate export companies and 1 import company to operate under the control of the Bureau. The object of the reorganization is to deal directly with foreigners, at the same time eliminating local firms, both Chinese and foreign, from the North China trade. In the meantime, the bristle monopoly department of the above organization blamed local speculators for adverse conditions relative to North China bristle exports. The Industry and Commerce Bureau is currently interested in dried and fresh fruit for export and is holding conferences with interested shippers.

Finance.—Official exchange rates for the US dollar were raised to PB\$3,900 on September 14, the Pound Sterling to 9,200, and the Hongkong dollar, PB\$ 550. The rates for currency notes were revised on the same day as follows: US dollar 3,500 and Hongkong dollar 510. Following the lead of Shanghai, the Tientsin branch of the People's Bank placed currency notes in denominations of PB\$500 and 1,000 into circulation.

Commodity Tax.—As in Shanghai, new commodity tax rates, effective September 15, were announced in Tientsin. With slight variations, the commodities subject to the tax are the same as those affected in the Shanghai area.

Japan's Commercial Problems

(From a Correspondent.)

Devaluation of the pound sterling is having a serious effect on Japan's economic position in that the tightening of dollar credits is already acting as a brake on Japanese exports to Britain and other sterling areas, as well as to the United States itself with the seasonal set-back in demand. It would appear that devaluation came rather unexpectedly to Japan and has upset the economic planning which SCAP had so carefully been instigating. SCAP is now trying to offset to some extent the serious effect occasioned by the falling off of buyers in the sterling areas by spurring on trade negotiations with other countries not so intimately connected, but as many of the contracts already signed are affected by the sterling devaluation the position is complicated.

A fund was established by SCAP some time ago accruing from U.S. supplies sold to the Japanese, which was designed to assist in the difficult period it was anticipated might temporarily occur during Japan's change over in economic policies including the establishment of a uniform exchange rate. For one thing stringent economy was called for in Government departments

Also the same rates are applicable in both areas. Similarly, the tax is to be levied on goods at the factories which, when completed, will be permitted to be sold everywhere without duplication of the tax.

Commodity Prices.—Prices of commodities continued to show a decline over the week ending September 15. For example the retail price of rice dropped from PB\$330 a catty on September 8 to 310 on September 15. The Nankai University's Economic Research Institute announced on September 6 the general commodity price index as 3,193,773, an increase of but 1.12 over the previous week.

necessitating the dismissal of some 125,000 employees on Government payroll, and the fund was intended to give assistance to production so that these unemployed workers could be gradually absorbed. Whether this scheme could overcome the difficulties incurred by retrenchment on such a scale is not yet apparent but the fund is now being drawn upon by the American administration to the extent of 27 billion yen to be given to the Japanese Government during the 1949-50 fiscal year for rail and telecommunication expansion. These two systems were the hardest hit by the retrenchment scheme and therefore are naturally the ones to be the first aided. At the same time the danger of a serious slump is increasing and with it labour unrest because of the tightening in all classes of production, not excluding some of the larger ones such as steel and electricity and necessitating the complete closure of a number of smaller companies. Figures are not yet available as to the number of men already unemployed although it is known that over ten thousand are already affected. There is little doubt but that the situation does not appear too rosy especially as most Japanese firms have large stocks on hand in anticipation of a boom which cannot now be sold. Banks are also becoming chary of advancing credit against inventories because of the uncertainty over the ability to sell.

The optimistic however hope that with the fund already on hand to be used immediately the threatened crisis may be safely averted especially as the new trade agreements get going plus a determination that Japan's economy must be maintained at all costs.

Pearl Trade

The absence of Japanese cultured pearls from foreign markets during and since the war now promises to end with sales in the United States being extremely brisk. The result is Japanese pearls are again rapidly recovering lost ground especially as with increased production prices are coming down.

THE ECONOMIC SITUATION IN INDONESIA IN 1948

FOREIGN TRADE IN 1948

The table below shows the value of imports and exports (in million U.S. dollars) in the years 1939, 1947 and 1948:—

	1939	1947	1948
Imports	178.3	284.1	435.6
Exports	281.2	129.4	393.9

	Export surplus	Import surplus	Import surplus
	102.9	154.7	41.7

Percentage of imports covered by exports

158	45	90
-----	----	----

The pre-war export surplus, which is of vital importance for a country such as Indonesia, was replaced after the war by a large import surplus.

It looked as if the year 1948 would prove to be a turning point. Even in the first quarter, the exports began to show the results of the improvement in the economic situation of Indonesia, which had been brought about by the first police action in the middle of 1947. This improvement was continued in the next quarter, so that for 1948 the value of exports exceeded 377,000,000 dollars. Imports increased too, but in proportion this increase lagged behind that of exports. On 22 December 1948,

however, Mr. Paul Hoffman the E.C.A.-Administrator, announced that pending the clarification of the situation which had developed in Indonesia after the breaking off of the political negotiations and the taking over the remainder of the territory controlled by the Republicans, the E.C.A. assistance would have to be suspended for economic reasons. Payment would still be made, however, in respect of contracts concluded before December 22. Indonesia's participation in the European Recovery Programme was thereby stopped for the time being.

Imports

The value of the imports in millions of U.S. dollars was as follows:

Groups of articles:-	1947	1948	1939
Foodstuffs, stimulants, etc.	83.2	85.0	32.8
Chemicals	12.6	22.2	18.7
Paper, etc.	6.6	12.2	6.2
Textiles	85.7	133.4	46.5
Machinery, means of transport, etc.	51.3	75.6	36.6
Metals and metal products	16.2	38.2	22.4
Fuels & lubricants	9.7	36.3	—
Other articles	19.2	32.8	15.1
Total	284.5	435.7	178.3

Share of the principal countries in the imports, in millions of dollars:

	1947		1948		1949	
	value	%	value	%	value	%
Netherlands	37.2	13.1	83.3	19.1	37.4	21.1
Great Britain	21.8	7.7	37.6	8.6	12.6	7.1
Belgium	3.3	1.1	11.3	2.6	4.8	2.7
Sweden	1.1	0.4	5.0	1.2	1.1	0.6
Canada	3.1	1.1	5.4	1.2	1.3	0.7
U. S. A.	111.0	39.0	97.3	22.3	24.0	13.5
Burma	5.4	1.9	9.2	2.1	2.1	1.2
Siam	4.2	1.5	12.3	2.8	1.5	0.8
Singapore	18.2	6.4	11.8	2.7	12.8	7.2
Hongkong	8.3	2.9	9.7	2.2	2.5	1.4
China	13.6	4.8	10.3	2.4	3.8	2.1
Japan	23.1	8.1	70.6	16.2	32.1	18.1
Australia	6.5	2.3	12.6	2.9	5.8	3.2
Other countries	27.7	9.7	59.3	13.7	36.5	20.1
Total	284.5	100	435.7	100	178.3	100

It was still necessary to pay large amounts for the importation of foodstuffs, particularly rice. Provision for the new areas added to the Federal territory in 1947 entailed the necessity of greatly increasing the imports of textiles as well. The groups machinery, means of transport, metals and metal products also show a considerable increase. It is gratifying, however, to note that 1948 as compared with 1947 shows a reduction of the value per ton of the imports in these groups.

PROGRESSING RECOVERY

In judging the figures and data given it should be borne in mind that despite the considerable progress made in 1947 the pre-war level of production is still far from being reached as regards volume and value, let alone in relation to needs.

The 33 sugar factories situated in the old occupied territory of East Java were all returned to their owners in 1948.

The number of producing factories in the Federal territory of East Java which will be in production for the 1948 harvest was 19 at the end of January 1949. In 1941 they had a collective processing capacity of 69.47 acres of normal cultivation and a normal output of 403,188 tons of crystallized sugar. For 1947 these figures were 2,903 hectares and 8,022 tons of crystallized sugar respectively, treated in 3 factories. For 1948 they were 12,614 acres and about 39,898 tons respectively, to be treated in 8 factories. The number of acres planted for the 1948/49 crop is 39,089, which are expected to produce an estimated quantity of 200,000 tons of cane sugar—provided the cane is not burnt by extremists—which can be processed in 15 factories.

The estates in East and West Cheribon have planted a total of 11,246 acres and upwards of 347 hectares of seedlings for 1949/50.

As regards the factories in Central Java, it may be said that there is generally speaking an inadequate degree of security. In 13 factories operations are in progress to clear, repair and put plants into running order. With regard to the sugar estates in the newly occupied areas of Central Java, it may be added that operations to put them into running order can be commenced. For the whole of 1948 sugar exports amounted to upwards of 70,000 tons (including 7,000 tons of molasses), which besides in the Netherlands and Japan could be marketed chiefly in the immediate vicinity.

American sugar requirements for 1949 are estimated at 7,250,000 short tons. The Philippines will be unable to meet the quota allocated for this year (982,000 tons); the deficiency is estimated for at 125,000 tons. Haiti and the American sugar beet growers are also expected to fall short of their quota, while Cuba will have a smaller crop than last year (1948: 6,675,000 short ton; 1949: 6,000,000 short tons).

Sugar production in Formosa is rapidly increasing. Despite larger sugar beet crops in Europe and the continued shortage of dollars, it is expected that that sugar prices will rise in the course of this year.

Rubber

The number of productive rubber estates in federal areas during 1948 rose from 108 to 267 in Java and from 86 to 150 in the rest of Indonesia; in all, therefore, from 194 to 417. The total output was 103,406 metric tons dry.

Total exports of estate rubber in 1948 amounted to 102,930 tons; of this quantity 40,916 tons (39.8%) went to the Netherlands, 18,962 tons to the United States of North America

(18.4%), 9,653 tons (9.4%) to Singapore, 9,489 tons (9.2%) to Japan, 5,063 tons (4.9%) to Great Britain, 4,026 tons (3.9%) to France and 3,465 tons (3.4%) to Germany.

Before the war the capital invested in the rubber estates in Indonesia amounted to some US\$377,000,000 while the value of the Indonesian rubber plantations was likewise assessed at about \$377,000,000. The number of workers employed on the estates, including the members of their family, was some 2 million, the Indonesian rubber planters and their families totalled some 4 million, the number of tappers and their families upwards of 3 million, so that a total of about 9,000,000 people depended for their livelihood on rubber production.

In 1948 plantation rubber exports to the U.S.A. and Japan amounted to 28,484 tons, representing 27.6% of the total exports of plantation rubber (U.S.A. 18.4%, Japan 9.2%). The exports of native rubber to these countries in 1948 was 48%.

Although in itself a high figure, the world stock of natural rubber as at 31st January 1949, (750,000 tons) may be described as high it is nevertheless the lowest figure since July 1946. On the other hand the stock of synthetic rubber is increasing and the figure for 31st January 1949, is the highest since the beginning of 1947.

The Rubber Study Group published the following world production estimates for the year 1949:

	long tons:
Estimated world production of natural rubber	1,575,000
of which, inter alia;	
Malaya	700,000
Indonesia	500,000
Ceylon	90,000
Estimated world production of natural rubber	1,450,000
of which, inter alia;	
U.S.A.	600,000
U.K.	183,000
France	97,000

On the basis of the above figures, the estimated surplus for 1949—ignoring strategic stock piles—would be 125,000 long tons of natural rubber.

For synthetic rubber the 1949 consumption was estimated at 450,000 long tons, of which 410,000 long tons in the U.S.A. The production for 1948 was likewise taken to be 450,000 long tons.

Tea Cultivation

The tea trade was confronted with many difficulties in 1948. Despite all this it may nevertheless be observed that the rehabilitation of plantations, factories and buildings made continuous progress.

In 1948 the tea production, expressed in units of 500 grammes, was:

Exports of Indonesia

The value of the exports was as follows (in millions of U.S. dollars):—

	1947		1948		1939	
	tons	value	tons	value	tons	value
Rubber	784,995	25.6	279,800	96.6	410,704	73.5
Copra	152,639	30.1	242,246	59.2	537,024	9.5
Sugar	1,726	0.3	63,922	8.9	1,376,038	28.9
Tea	3,203	2.1	9,408	8.1	83,653	21.5
Tin and tin ore	21,673	22.8	46,294	55.8	38,753	22.4
Palm kernels	—	—	11,100	1.8	44,420	0.5
Coconut oil	—	—	1,500	0.7	9,453	0.3
Soya beans	—	—	6,700	1.1	—	—
Rattan	14,653	2.6	17,765	3.6	33,600	0.8
Petroleum prod.	770,979	23.5	3,848,000	98.1	6,425,547	58.7
Bauxite	89,581	0.3	450,200	1.9	246,150	0.8
Palm oil	2,263	1.2	8,600	2.8	16,012	0.5
Ground nuts	—	—	8,600	2.8	16,012	0.5
Kapok	2,900	1.2	5,800	3.4	21,786	3.2
Maize	—	—	14,800	1.4	94,388	3.2
Cinchona bark and quinine	—	—	—	3.4	6,905	4.2
Hard rope fibres ...	3,582	0.9	5,800	1.8	108,036	3.9
White pepper	1,743	1.2	829	0.8	15,238	1.1
Black pepper	894	1.1	976	0.7	55,847	2.5
Tobacco	2,230	1.6	1,062	1.6	353,831	10.1
Shells	1,359	0.8	3,020	1.4	1,820	0.2
Coffee	357	0.2	2,378	1.3	66,122	4.3
Sundries	—	12.5	—	23.2	—	35.5
Totals		129.4		393.9		281.6

The exports to the principal countries (in millions of U.S. dollars):—

Destination:	1947		1948		1949	
	value	%	value	%	value	%
Netherlands	56.0	43.2	141.8	36.0	41.2	14.6
Great Britain	3.3	2.6	7.9	2.0	12.9	4.6
Sweden	0.7	0.6	3.8	1.0	0.6	0.2
U. S. A.	24.0	18.5	69.2	17.6	55.4	19.7
Singapore, Penang & Malaya	25.8	20.0	74.6	18.9	55.8	19.8
Hongkong	2.5	1.9	7.3	1.9	5.1	1.8
Japan	1.7	1.3	9.6	2.4	9.3	3.3
Other countries	15.4	20.7	79.7	20.2	101.3	36.0
Total	129.4	100.0	393.9	100.0	281.6	100.0

The figures representing the quantities clearly show that the pre-war exports, except in the case of tin and bauxite, have by no means been reached so far. On the other hand it is a source of satisfaction that since 1947 the variety of the products exported has again increased. Indonesia's basis of exchange improved somewhat in 1948, although here too the 1938 situation is still a long way off.

The total imports during the months of January, February and March 1948 and 1949 were:

	1948		1949	
	1000 lbs	\$ 1000	1000 lbs	\$ 1000
January	684,327	41,900	250,342	21,100
February	223,834	24,200	449,445	44,500
March	360,604	46,300	308,317	39,900
Total	1,268,765	112,400	1,008,104	105,500

The exports during the first quarter of 1949, compared with those of 1948, amounted to:

	1948		1949	
	1000 lbs	\$ 1000	1000 lbs	\$ 1000
January	740,468	16,900	1,083,727	40,500
February	650,120	22,700	1,055,125	39,100
March	735,270	24,100	1,096,866	38,900
Total	2,125,864	63,700	3,235,718	118,500

These figures show that the total export in the first quarter of 1949 increased quantitatively by 52 per cent and in value by 86 per cent, as compared with the corresponding period for 1948.

The imports during the first quarter of 1949 were quantitatively 17 per cent and in value 6 per cent below those of the first quarter of 1948.

	Total	For export	For home cons.
Java	23,025,061	18,830,602	3,198,113
Sumatra	2,209,510	1,358,474	188,713
Indonesia	25,234,571	20,189,076	3,386,826

The total production of tea in 1947 was about 3,000,000 half kilos.

The number of productive tea estates in 1948 rose to 122 in Java and 14 in Sumatra. The number of factories in operation also increased, namely, to 62 in Java and 8 in Sumatra.

Tea-export in 1948 amounted to 16,853,000 half-kilos.

As a comparative figure, it might be mentioned that the total exports in 1940 amounted to 145,000,000 half kilos.

Without being excessively optimistic, in view of a number of considerable difficulties to be overcome a production of some 50,000,000 half kilos may be counted on for 1949.

Cinchona

The war completely dislocated the sale of quinine, so that the trade in it is now less than half on the pre-war figure. In order to protect cinchona cultivation in Indonesia and the bark-processing industry in Europe and elsewhere as far as possible, the Government of Indonesia resolved to take two measures, to which those concerned agreed. (1) The Government and the organizations concerned with the production of cinchona bark and quinine will endeavour to achieve the greatest possible expansion of the sales of cinchona bark and the products derived from it. (2) The production of cinchona will be adapted to the market potential since Indonesian productive capacity far exceeds the demand, even if the measures outlined under (1) were to be considerable.

The number of reporting estates, rose to 55 in 1948; the total production in that year amounted to 6,826,140 metric tons of dry bark.

Coffee

The number of productive estates, in 1948 rose to 29 in Java and 3 in the rest of Indonesia. The total output in that year amounted to 9,226 metric tons dry and the acreage under cultivation was 72,280 acres.

Palm Oil

The production of palm oil, which in 1947 was practically nil, amounted to some 56,000 tons in Federal territory in 1948. Of this quantity about 40,000 tons, with a value of \$16,600,000 were exported. In 1947 the exports totalled 2,263 tons.

In 1940 palm oil production was approximately 240,000 tons, of which some 170,000 tons, or about 70%, came from Federal territory. Consequently, by the end of 1948 about 30% of the pre-war production was attained in Federal territory.

At a rough estimate exports in 1949 may reach a figure of some 100,000 tons. In January and February 1949, the production was 6,777 and 6,314 tons respectively, which is considerably above the monthly average for 1948, which was 4,686 tons.

Reports are now furnished by 20 estates, of which 19 have processed their production. At the beginning of 1948 these figures were 16 and 8 respectively.

An important improvement has been effected by the dredging of Belawan harbour, which is now accessible again for ocean-going vessels with a draught of 9½ metres, while it was also possible to take 16 palm oil tanks into service again.

Tobacco

The rehabilitation of Besuki tobacco cultivation was energetically taken in hand during the past year. The damage caused proved to be considerable. Only few good yards were saved and nothing was left on the drying sheds. A point of which the importance should not be underestimated is that the experiment-station remained intact. The small quantities of seed recovered there rendered it possible to multiply the results of years of selection for use in the plantations. Recovery is greatly hampered by a shortage of materials, but nevertheless it is progressing energetically.

In 1948 there were 15,444 hectares under cultivation and 287 drying sheds were built. The planting of after-crop tobacco before the war, including the long-lease ground, amounted to about 41,115 hectares, 1,300 drying sheds being in service.

One of the most fundamental changes was the purchase of mechanical tilling machinery, which was necessary owing to the shortage of labourers, who had been moved elsewhere by the Japanese. Before the war upwards of 63,000 men and women were engaged in cultivating tobacco. This number is at present some 36,000, representing a loss of 45%. The immigration of labourers from Java was therefore resumed.

In 1948, 831 tobacco fields were harvested; the number of fields for 1949 rose to 4,040.

The Food Situation

In the territories outside Java the food situation may, as a whole, be termed more favourable than in Java and Madura, although an exception must be made for West Borneo, and some parts of Flores and Sumba, East Indonesia, in 1948, regained its pre-war level. Southern Celebes, for example provided a surplus of 15,000 tons hulled maize, while the latest estimate for 1949 is 60 to 70,000 tons. The rice surplus in 1948 amounted to 61,000 tons. It is hoped to make up for arrears in production, which amount to

about 500,000 tons of rice per year as compared with the pre-war years, by implementing the ambitious Tjitatum Scheme in West Java, by which an increase of 400,000 tons in the crop is expected, from an effective use of artificial manure (superphosphate, the production of which will shortly be taken in hand in Indonesia), which would increase the supply by 200,000 tons, and by a more systematic application of the results of the experiments made by the General Experimental Station for Agriculture in the sphere of selected seed, which results, if fully applied, would lead to the rice crop being increased by 400,000 tons. Further, the recovery of the rice-hulling apparatus will be energetically taken in hand, whilst the question of the use of machines in the cultivation of rice in the sparsely populated districts is under consideration. In addition to these plans for the future, measures have already been adopted which aim at keeping the price of rice as low as possible.

Besides rice, also maize and cassava product and, in a less degree, sweet potatoes, ground-nuts and soya-beans may be regarded as food for the people. There exists, however, an increasing preference for rice.

For the territories outside Java and Madura the target for rice production in 1952-53 has been fixed at 2,700,000 tons, whilst for other products an increase similar to that in Java and Madura is aimed at.

Horticulture showed a good recovery. The high prices prevailing stimulated gardeners to a more intensive cultivation of vegetables and more especially European vegetables. Although during the war years the various kinds of vegetables greatly degenerated owing to the lack of sowing-seed, soon after the war the shortage could be met with the import in 1947 and 1948 of more than 10 tons of vegetable sowing-seed.

Native Produce

In many cases the production of native export crops was subordinated to those for home consumption. It is only possible to stimulate the growth of crops for export when it is difficult to earn more in other ways. During the last few years all attention was concentrated on the production of food, which explains the small export as compared with pre-war years. There are districts, it is true, where the producer specializes in export crops but here also production is largely dependent on the cost price which, in its turn, is determined by the scale of wages and thus by the standard of living.

Owing to the action taken by the Copra Fund and the Netherlands Indian Rubber Fund, copra and native rubber—the two most important native export growths—suffered least from the above-mentioned unfavourable factors. Moreover, the following figures show that other native export crops are again beginning to reach the market:

Product	1938		1948		1938	1940	1946	1947	1948	tons	US\$
	Weight 1000 tons	Value in millions of US\$	Weight 1000 tons	Value in millions of US\$							
Ethereal oils	2	1	0.5	1						27,000	12.8
Ground-nuts and oil	29.8	1.6	81	3						53,000	32.8
Cassava products	158	2.2	3	x						11,000	11.7
Copal and dammar	19.9	1	6.8	1.7						22,000	24.5
Coco products	641	16	264.1	60.2						45,697	55.3
Kapok products	15.7	2.2	5.7	3.3	The estimated world tin production in 1948 was 151,000 long tons, of which 44,500 long tons came from Malacca; 35,700 long tons from Bolivia; 30,600 long tons from Indonesia; 14,070 long tons from the Belgian Congo and 9,100 long tons from Nigeria. Pre-war world production amounted to 160,000 tons, world consumption to 152,000 tons.						
Coffee	39.8	2.8	x	x							
Maize	102.3	1.2	14.8	1.4							
Nutmeg and mace	4.3	0.7	3.3	2.5							
Pepper	55.6	3.2	1.8	1.6							
Areca-nuts	62.8	2.2	3	0.6							
Rattan	36	1	17.7	3.6							
Rubber	146.6	224.3	176.8	55							
Tobacco	15	1.2	x	x							
Tea	12.5	3.9	6	5.3							

x) no figures available

As expected native rubber culture shows a further recovery in 1948 as is evident in the following figures:

Period	Exports of Native Rubber	
	Weight in tons	Value in Millions of U.S.\$
1938	146,596	22.4
1947	65,000	—
1948	176,863	54.8

In comparing the export figure of 1938 with that of 1948, it should be noted that in 1938 the export of rubber was subject to restriction. When the restriction was raised, the export in 1940 was about 266,000 tons.

The total export of copra in 1948 amounted to 242,245 tons of this amount, 216,415 tons came from East Indonesia and 17,245 from West Borneo. Total exports in the year 1946 and 1947 amounted respectively to 54,098 and 152,639 tons.

The total amount purchased by the Copra Fund in 1948 was 355,000 tons.

Destination	1948 1947 1939		
	(tons)	(tons)	(tons)
Netherlands ..	162,000	115,000	174,718
U. S. A.	5,826	1,571	12,248
Czechoslovakia ..	2,032	5,080	4,690
Norway	3,048	5,557	37,444
Switzerland ..	6,604	2,116	89
Union of South Africa	1,626	5,333	—
Denmark	4,186	9,128	53,062
France	6,032	4,064	550
Bizonia	19,893	—	—
Canada	8,454	—	—
Poland	2,540	—	4,590
Belgium	8,147	—	7,181
Other countries ..	11,857	5,790	240,452

Total 242,245 152,639 535,024

Total exports over January, February and March, 1949 amounted respectively to 33,755 tons, 20,622 tons and 28,410 tons.

The pepper culture shows only a very slight recovery so far, as is evident from the (controlled) export of 1,800 tons in 1948 as against 55,600 in 1948. It should be remembered, however, that the largest production area, the Lampong District, was under Republican rule.

The spice culture, as far as nutmeg and mace are concerned, showed a fairly good recovery. Exports amounted to

about 60 per cent of the average exported in pre-war days.

The production of Kapok was not uniformly favourable. Before the first police action undertaken by the Netherlands authorities, the largest Kapok producing area was situated in Republican territory. Planting proved to be almost entirely neglected and suffered, as a result, from the ravages of the Mudaria parasite. It appeared also that many trees had been cut down for fuel.

In 1948, therefore, export consisted chiefly of old stocks derived from former harvests. The estimate for the harvest year 1948/49 is not higher than 40 per cent of the pre-war production, which will mean about 3,100 tons for the Federal area before the police action of December 1948.

The native tea culture, concentrated in West Java, has recovered to the extent of about 40 per cent of the pre-war level.

Little can be said concerning the native coffee culture as the production area is largely situated in Republican territory. It may be assumed, however, that as a result of the occupation and the years which followed it, the coffee culture has suffered seriously from neglect and cutting down of trees in view of the fact that the product had difficulty in finding a market. The total coffee export in 1948 amounted to 2,379 tons a value of US\$1,271,700.

MINING, MANUFACTURING AND TRANSPORT

Tin

The production capacity of the tin mines in Banka and Billiton, which had dropped to a fraction of the pre-war level, has again risen so greatly that production is higher than in 1938. In 1948, the Banka mines produced 174,197 quintals of tin ore. Exports (measured in ton) amounted to 18,562, valued at \$28 million (1947: 10,000 tons of a value of \$15 million). (All value in US\$).

The Billiton Tin Mining Company in 1948 produced 99,298 quintals of tin-ore and exported the equivalent of 10,944 tons of tin of a value of \$15 million (1947: 5,600 tons of a value of \$8.7 million).

The total export of tin and tin-ore from Indonesia including the output of the Singkep Mines was in

Petroleum

As regards the petroleum production, the refining capacity in the places mentioned below was, at the outbreak of war, as follows:

	in tons per year
Balikpapan	2,600,000
Pladju	2,400,000
Pangkalan Brandan	1,100,000
Tjepu	500,000
Wonokromo	80,000
Sungei Serong	2,400,000

The installations at Balikpapan and Pangkalan Brandan were completely destroyed in the war; that at Tjepu was partly destroyed; while those at Pladju and Wonokromo can be repaired.

The work of repair is being energetically pushed forward so that the refineries at Pladju and Wonokromo have reached their pre-war capacity. At Pangkalan Brandan a wholly new refinery will have to be constructed, whilst as regards Tjepu the question how far the refinery can be reconstructed is now under consideration.

The refinery at Sungei Serong is again in production.

For 1949, the refining capacity is estimated at 3,750,000 tons, whilst for 1949 the target for the production of petroleum products has been fixed at about 4,000,000 tons.

Coal

The production of the Bukit-Asem mines amounted in 1948 to about 360,000 tons, of which 16,500 tons was exported, chiefly to Singapore and Hongkong.

The total production of coal in Indonesia amounted to about 538,000 tons. It should be noted that the Ombilin Mines (in Sumatra) were situated, previous to the police action, in Republican territory and therefore not included in the figures.

Gold

In 1948, gold was discovered in The Minahasa (Celebes) district of Bolaang Mongondan which was won in primitive fashion by the native population. The total amount won in 1948 was valued at about U.S.\$950,000.

Industry

The following survey shows the development of industrial production in 1948:

Articles:	Units: 1000	1948	Average monthly production
Woven sarong	yards	23,689	1,173
Batik sarongs	piece	8,959	747
Other woven materials (poplin, shirting, tussier)	yards	5,089	424
Coco-nut oil	pounds	129,341	10,778
Margarine	"	21,665	1,806
Toilet soap	"	4,877	406
Wash soap	"	81,825	6,818
Glassware (drinking glasses, bottles, stoppered bottles, etc.)	piece	16,475	1,373
Cement	ton	38	3
Paint	pounds	8,679	723
Electric bulbs	piece	2,950	246
Motor-car tires (outer covers)	"	126	11
(inner tubes)	"	122	10
Bicycle tires (outer covers)	"	978	83
(inter tubes)	"	1,391	116
Beer	gallons	2,556	213
Cigarettes (mach. made)	per 1000	5,909	492
(not mach. made)	"	703	59

Generally speaking, industrial production in 1948 showed a tendency to rise. The process of recovery and the further development of the industrial apparatus will require considerable capital.

Forestry

After the Japanese capitulation it was found that the most productive forests in Java had suffered from unchecked felling and that on 8 to 10 times the normal annual felling area the trees stood dead on their trunks. Although it has not become possible to make a new inventory of the country's forest possessions it is clear, in view of the above fact that for a long period the production of djati building wood will have to be severely restricted if the forest area is to regain its former extent. A permanent reduction of the forest area in Java must be regarded as inadmissible. The following rough survey of timber, in thousands of cubic feet, shows, on the one hand, that 45 per cent of the pre-war production was reached and, on the other, that, notwithstanding great difficulties in Borneo, East Indonesia and New Guinea, the production was greater than before the war:

The inter-insular timber transport in Indonesia amounted in 1948 to 3,531,500 cu. ft. as against 1,765,750 cu. ft. in 1939. It was chiefly Borneo which sent its surplus to Java, Sumatra and East Indonesia.

Exports, which in 1939 amounted to 14,126,000 cu. ft. of various sorts of timber and further 3,531,500 cu. ft. of fire-wood and 50,000 tons of charcoal, to a total value of Fls. 4 million, amounted in 1948 to 2,330,790 cu. ft. of timber, 1,836,380 cu. ft. of fire-wood and 11,400 tons of charcoal, of a total value of Fls. 4.3 million.

Fisheries

Total catches of sea fish amounted in 1948 to 22,500 tons. The total inter-insular trade in salted or dried fish was 28,445 tons in 1948. Of this amount, 6,224 tons came from Sumatra (including Banka and Billiton), 12,951 tons from Borneo and, 9,270 tons from East Indonesia. The greater part of this preserved fish, viz. 27,753 tons, went to Java and Madura.

Salt-Winning

In the last months of 1947 and in the course of 1948, the winning of salt in Madura made such headway that, taken as a whole, the industry almost reached its pre-war level of production.

In 1948, production was about 280,000 tons, which compares very favourably with the output under the Republican regime, when in the years 1945, 1946 and 1947, it amounted to 130,000, 30,000 and 7,000 tons respectively.

The following figures reflect the market demand for salt.

	1940 tons	1948 tons
consumption salt ..	149,000	117,500
fish salt	30,000	17,300
industrial salt	2,000	3,700
Total	181,000	138,500

The fact that in 1948 sales showed a drop compared with 1940, is to be attributed to the difficulties experienced in transport and distribution and not to a decrease in production. This is evident when one considers that at the end of 1948 the stocks of salt in Madura amounted to 400,000 tons; that in 1948 it proved possible to export 1000 tons of salt to Japan and that a further export (also to Japan) of 75,000 tons is expected in 1949 (of this quantity, 16,000 tons had already been shipped

at the end of March, 1949). It is expected that in the near future this export will amount to fully 100,000 tons annually.

Railways

On December 31, 1948, the number of miles exploited by the combined railways amounted to 1,951 as against 1,567 on January 1 of that year.

Air Transport

The length of the inter-insular air-net which in 1940 was about 6,215 miles, is now 12,428 miles. The number of passengers increased from 23,000 in 1940 to 140,000 in 1948. Freight transport, formerly a couple of hundred tons per year, has risen to 9,000 tons, whilst the transport of air mail has risen from 124 tons to 1,000 tons per year.

Shipping

The total tonnage of the ocean-going fleet of the Dutch Shipping Companies sailing to Indonesia amounted on January 1, 1949 to 601,500 tons. This almost equals the pre-war figures, which amounted in 1940 to 603,000 tons.

The same cannot be said of the total tonnage of the Kon. Paketvaart Maatschappij and the Kon. Java China Paketvaart, which, at 319,000 tons, are still 92,000 tons below the pre-war tonnage of 1940.

The tanker fleet was 19,000 tons below that tonnage on January 1, 1949, when it amounted to 57,923 gross register tons.

Air Transport in Indonesia

In the Far Eastern Economic Review of August 18th, 1949, page 198, an article dealing with the above subject was published which, however, requires some clarification with regard to aviation companies' business particularly the position of the Royal Dutch Airlines or KLM. To classify KLM's position it should be kept in mind that KLM Intercontinental Division at Batavia is considered as a Dutch, i.e. foreign airline, while KLM's Interinsular Division, which is run by KLM personnel on behalf of, and for the benefit of the Indonesian Government, is in fact the Indonesian airline. The exchange regulations as laid down by the Indonesian Government for the protection of the financial position of that country, apply in the same way to all foreign airlines including KLM-ICD (Intercontinental Division). For example, KLM-ICD may sell a return-trip Batavia-Amsterdam in Indonesian currency to a resident of Indonesia, just as BOAC may sell a return ticket from Batavia to London to a resident of Indonesia in Indonesian currency. KLM-ICD may not sell a return London in Indonesian currency, just as BOAC may not sell a return to Amsterdam in that currency.

	Building wood	Fire wood	Charcoal	1939	1948
Java	7,063	8,829	88	63,920	16,775
Sumatra	3,178	12,537	3,354	76,951	19,070
Borneo	15,892	7,946	494	17,304	24,332
East Indonesia	2,719	1,201	494	2,154	4,414
New Guinea	530				530
Total				160,329	85,121

Foreign Trade & Production of Indonesia

Exports:—Exports from Indonesia during April 1949 totaled 656,923 metric tons (metric tons quoted throughout) valued at 122,693,000 guilders (US\$46,623,000), as compared with March exports of 497,555 tons valued at 103,169,000 guilders (US\$ 39,204,000). Petroleum products accounted for 31.5 percent of the total value, rubber 30.9 percent, tin ore 11.8 percent, copra 10.6 percent, palm oil 4.8 percent and tea 2.2 percent.

The increase in April over March exports amounting to 19,524,000 guilders was accounted for by the increased value of exports of petroleum products (12,358,000 guilders), tobacco (871,000 guilders), palm oil (532,000 guilders) and rubber (14,185,000 guilders), offset by decreases for other products. The largest declines were registered by copra (2,405,000 guilders), tea (1,328,000 guilders), and tin (1,089,000 guilders). Excluding petroleum products, the volume of March and April 1949 exports were about equal, amounting to 158,121 and 158,048 tons, respectively. Against the increase in the volume of exports of rubber (18,505 tons) and tobacco (504 tons), there were decreases as follows: Bauxite exports of 17,510 tons, copra 2,282 tons, tin 857 tons, rattan 790 tons, palm oil 723 tons, and smaller tonnages for other products. No sugar exports were recorded for the first 4 months of 1949. Data for April are listed in table 1.

The observation that the wide difference between official and unofficial rates of the Indonesian Guilder forms a handicap for the development of air transport business for foreign companies applies equally to KLM-ICD as to other foreign carriers. That Royal Dutch Airlines (KLM)—which in this case means KLM-ICD—have been carrying the majority of passengers and freight from and to Indonesia is logical, considering frequency of service, quality of service and the national character of the carrier at the European end. This applies equally for Australia to Qantas, for England to BOAC, etc.

With regard to regulations applicable in Indonesia to travel by air, the following comments were made in the Review:—(1) "A resident of Indonesia may only pay in the currency of this country for travel on an airline which has concluded an agreement with this country and which makes regular commercial calls." No mention was made however of the fact that there is always the possibility to apply to the Foreign Exchange Control Bureau at Batavia for permission to pay in Indonesian currency. In any case KLM-ICD experiences the same difficulties. For instance, a passage Batavia-Amsterdam-Copenhagen per KLM can be paid in Ind. currency only for the

TABLE 1.—Exports, April 1949
(Quantities in metric tons; values in thousands of guilders)

Item	April 1949	
	Quantity	Value
Total	656,923	122,693
Rubber	44,845	37,949
Copra	28,591	13,066
Palm oil	6,133	5,900
Tea	1,276	2,656
Tobacco	778	2,160
Rattan	1,296	623
Kapok	289	471
Coffee	330	435
Resins	532	374
Quinine	2	21
Cinchona bark	28	72
Petroleum	498,875	38,623
Tin ore	3,556	14,462
Bauxite	34,594	416
All other	35,798	5,465

Cumulative exports for the first 4 months of 1949 amounted to 2,119,629 tons valued at 436,900,000, guilders, an increase of 63 percent by volume and 86 percent by value over the corresponding period of 1948. For individual export products, the increases by volume and value, respectively, were as follows: Rubber 80 percent (102 percent); copra 110 percent (112 percent); palm oil tenfold (718 percent); tea 440 (313 percent); kapok 162 percent (217 percent); resins 53 percent (20 percent); petroleum products 50 percent (98 percent); bauxite 140 percent (144 percent) and tin ore 12 percent (40 percent).

section Batavia-Amsterdam, while the section Amsterdam-Copenhagen has to be paid for in foreign currency, in this case Dutch Guilders. (2) "Residents may only pay in Ind. currency on those trajectories specified in the agreement and only for the single journey." This was not correct. BOAC may accept payment in Ind. currency for a return passage Batavia-London. Permission to pay in Ind. currency can be sought from the Foreign Exchange Control Bureau. (3) "Residents must join the aircraft in Indonesia."

This statement was meant to say that residents must join the aircraft in Indonesia to be allowed to pay the fare in Ind. currency. Such is the case for KLM-ICD as well as KLM-IID and any other foreign airline.

That KLM-ICD gets most of the traffic is reasonable since they have flown this route for more than 25 years, in the meantime building up good-will and confidence, while BOAC is, comparatively, still a newcomer in those parts. All foreign exchange regulations hit KLM-ICD just as hard as they do other foreign airlines. KLM-Interinsular Division, as an Indonesian airline, has cabotage rights just as this occurs in almost any country where inland routes are reserved for the national airline.

TABLE 2.—Exports, January-April 1949

(Quantities in metric tons; values in millions of guilders)

Item	January-April 1949	
	Quantity	Value
Total	2,119,629	436.9
Rubber	124,089	113.9
Copra	114,478	62.6
Palm oil	25,763	22.1
Tea	6,150	12.4
Rattan	5,937	2.8
Kapok	2,185	3.8
Resins	2,528	1.8
Petroleum	1,520,243	118.4
Bauxite	207,696	2.2
Tin ore	16,763	61.9
All other	93,797	35.0

May copra exports totaled 22,414 tons, making the total for the first 6 months of 1949, 171,889 tons as compared with 105,465 tons for the same period of 1948. Bauxite exports during May reached 74,216 tons, making the Jan.-May total 281,912 tons (Jan.-May 1948, 155,280 tons).

Imports:—Imports during April 1949 totaled 227,938 metric tons valued at 140,500,000 guilders (US\$53,400,000) as compared with March imports of 139,834 tons valued at 105,700,000 guilders (US\$40,2000). Foodstuffs, beverages, and tobacco products constituted 32.6 percent by value of total April imports, textiles (yard goods) 25 percent, machinery and vehicles 14.4 percent, metals 7.7 percent, petroleum 5.6 percent, and chemicals, paint and fertilizer 3.6 percent.

TABLE 3.—Imports, by Major Commodity Groups, April 1949

(Quantities in metric tons; values in millions of guilders)

Item	April 1949	
	Quantity	Value
Total	227,938	140.5
Foodstuffs, beverages ..	68,747	45.8
Textiles	5,722	35.1
Petroleum	98,241	7.7
Metals and products ..	13,039	10.8
Machinery and vehicles ..	7,280	20.2
Chemicals, etc	7,058	5.1
Paper products	3,664	2.5
All other	24,187	13.3

The increase in imports of foodstuffs was mainly accounted for by large imports of rice amounting to 49,625 tons valued at 21,900,000 guilders during April as compared with 18,862 tons valued at 9,600,000 guilders during March. Crude oil requirements of the Indonesian petroleum refineries were the principal cause of the increase of petroleum imports from 48,286 tons valued at 4,800,000 guilders in March 1949 to 98,241 tons valued at 7,700,000 guilders during April.

Cumulative imports for January to April 1949 amounted to 712,272 tons valued at 420,000,000 guilders, as compared with 475,688 tons valued at 336,900,000 guilders during the corresponding period of 1948.

The Chemical Industry of Indonesia

The chemical industry of Indonesia is largely a byproduct operation of other industries; the manufacture of chemicals on a commercial basis is limited. Prewar, the Government had begun to lay plans for the general development of industry, but fulfillment was postponed by the effects of the world depression in the 1930's and later by the advent of war. World War II and the subsequent Japanese occupation of the islands caused little immediate damage to industry, but later resulted in gradual disruption of the country's economy. Wartime damage to chemical installations and stocks was in the neighbourhood of 14,000,000 guilders. The Japanese made efforts to develop the chemical industry of Java to the extent that a few of the tea and sugar factories were converted into plants for producing sodium nitrate, hydrochloric acid, chloride of lime, and sodium sulfate, but how successful these ventures were is not known. After the close of the war, before rehabilitation could be effected, the archipelago was beset by political disturbances which impeded efforts toward recovery. Also, the lack of trained personnel and the shortage of foreign exchange for the purchase of materials, machinery, and spare parts have retarded progress.

The consumption of chemicals in recent years has been lower than in the prewar period, but this decrease does not indicate a permanent lessening of demand for these products. Many of the factors causing this situation may be attributed to the war and the accompanying world scarcity of chemicals

and related products. However, even had these commodities been available, it is doubtful that the country's foreign exchange position would have permitted payment for imports in the quantities required. The important batik industry alone normally consumed annually about 1,000 metric tons of dyes, 8,000 tons of wax, and 5,000 tons of rosin. Other important chemical-consuming industries are petroleum, mining, tanning, and the manufacture of textiles and soap. In addition, substantial quantities of fertilizers and other chemicals are required by the many agricultural operations of the islands, among which are the cultivation and processing of rubber, palm oil, gums and resins, tobacco, fibres, coffee, and sugar. The shortage, and, in some instances, the complete lack of chemicals has greatly hampered the rebuilding of these industries.

Industrial Chemicals

Sulfur.—Production of this material in 1940 amounted to 17,180 metric tons. Output was derived almost entirely from the volcanic sulfur-mud deposits of the Kawak Poeth near Bandoeng, and in West Java at Telaga Bodas. Reserves, with a 30 to 70 percent sulfur content, amount to 1,000,000 tons. There has been no commercial production since the war. On world markets, domestically produced sulfur cannot compete with that of other countries.

Sulfuric acid.—In 1949 petroleum refineries produced between 6,000 and 7,000 tons of sulfuric acid. This product is still being manufactured, but no recent statistics are available.

Phosphate rock.—Phosphate rock has been produced in the Kronomony mountains of West Java since 1919 by four private companies; output in 1940 amounted to 34,085 tons. Additional deposits of rock in the Outer Provinces could be worked if the demand warranted it. Superphosphates have not been produced because of the high cost of sulfuric acid.

Other industrial chemicals.—Ammonium sulfate was made before the war, but no information is available on present production. Iron sulfate was produced by one factory in Surabaya; output met about 80 percent of the prewar demand. Production in 1936 amounted to 26 tons, but no information is available on current output. Formic acid was produced experimentally by a Government plant at Banka before the war. Copper iodide was also produced in the prewar period. Liquid carbon dioxide formerly was manufactured by two of the larger breweries in considerable volume.

Organic Chemicals and Other Commodities

Coal tar and alcohol.—These are the only organic chemicals which are manufactured in any quantity. Coal tar is a byproduct of local gas plants. Prewar production was about 1,500 tons annually.

Alcohol (industrial and ethyl).—Alcohol was made from sugar by three large distilleries before the war, and

sizable quantities were exported to China and Hongkong.

Butanol.—It is produced by one plant, in unknown quantities.

Glycerin.—Crude glycerin was produced by one of large soap manufacturers prior to the war. Output in 1936 was 200 tons. The other larger soap factories also produce this commodity, in unknown quantities, but the smaller manufacturers do not recover glycerin.

Explosives.—These are produced by one plant.

Paint.—The paint industry was well developed in the prewar period, and the annual production of about 7,000 tons in 1940 supplied 75 percent of domestic demand. Production in 1949 was 3,500 tons.

Salt.—Salt is made from sea water in considerable quantities in South Celebes and Madura. The Government produces about 90 percent and the natives, the remainder. Total output in 1948 is estimated at 360,000 tons, compared with 431,000 tons in 1940. Salt was a prewar export item, about 27,000 tons having been shipped to Japan in 1940 and 64,000 tons in 1941. There is limited local demand for imported high-grade table salt.

Turpentine.—This is produced by one plant, but present output is unknown.

Iodine.—This commodity was formerly exploited by two private companies from salt-water beds in East Java. One factory resumed operations, but no production figures are available.

Gums and Resins.—In prewar years, exports of gums and resins were of considerable importance to the economy of Indonesia. However, because of the wide disparity between local prices and those on the world market, postwar production and exports of these commodities have been at low levels. Exports of gums and resins in 1948 totaled 6,832 tons, compared with 7,242 tons in 1947. In the 1936-41 period, an average of 29,030 tons was shipped annually.

Plastics.—Before the war two firms manufactured plastics on a limited scale. It is not known if production has been resumed.

Glue.—Glues were manufactured by two small plants before the war. No current information is available.

Inks.—Low-grade black printing and duplicating inks were formerly produced. They were not, however, competitive with the better grades of imported inks.

Insecticides.—These materials are made, but the quantity is not known.

Soap.—In 1940 production of soap met 95 percent of domestic requirements. Output in 1948 is estimated at 40,000 tons, or about one-half of that in 1940. There were 11 large and numerous smaller factories in operation in 1948, compared with 14 large and many more smaller establishments in 1940. The shortage of caustic soda is the principal present deterrent to production.

Drugs and essential oils.—A great variety of plants, trees, and grasses are found in the islands, and from these are produced many drugs and essential oils. Among them are citronella oil,

Balance of Trade.—The merchandise trade deficit for April 1949 amounted to 17,800,000 guilders (US\$ 6,750,000) reducing the cumulative surplus of 35,600,000 guilders (US\$13,500,000) for January-March 1949, to 17,800,000 guilders (US\$6,750,000) for January-April 1949.

Production.—Estate rubber production slightly decreased from 14,003 tons in March to 13,065 tons in April. Copra purchases amounted to 30,654 tons during March, 37,563 tons during April, 40,820 tons during May, and 41,000 tons during June, with a cumulative total for January to June, amounting to 219,110 tons as compared with 129,450 tons for the corresponding period of 1948. Palm-oil production during March amounted to 7,270 tons, April 5,900 tons, May 5,395 tons, and for June an estimated 9,876 tons. The cumulative total for January to June 1949 amounts to 41,532 tons against 15,322 tons for January to June 1948. Production of bauxite in March was 57,150 tons, April 35,194 tons, May 54,370 tons, for a total of 268,585 tons during January-June 1949, as compared with 107,177 tons during the corresponding period in 1948. Tin production in April was 2,743 tons, May 2,659 tons, for a total of 12,494 tons during January through May 1949 (January-May 1948, 11,732 tons).

SIAM'S ECONOMY IN 1948

pachouli, cananga oil, cajaput oil, and cinchona bark (approximately 90 percent of total world production of the latter).

Toilet preparations. — Low-priced lines of hair, skin, and other toilet preparations are made in sufficient quantities to take care of local demand. The more expensive products are imported.

Foreign Trade

Since 1945, when the islands were reoccupied, the entire foreign trade of the country has been under Government supervision. The shortage of foreign exchange has dictated the necessity of maintain control of imports. The desire to stimulate exports and channel them to countries where they would earn hard currency also made it necessary to keep a check on the flow of goods from the archipelago. Although, as a result of increased exports, trade controls are being relaxed, it must be remembered that a considerable measure of Government control of foreign commerce had been established in Indonesia before the war. It is, therefore unlikely that control will be abolished for some time.

Under the present arrangement, importers are organized into commodity trade groups, which are kept informed regarding the Government's allocation of foreign exchange for various products. After quotations are received from abroad by the individual members of the group, orders are placed with the lowest bidder and the commission shared by all on the basis of prewar volume of business. These regulations apply only to imports from hard-currency areas. Imports from soft-currency countries are free of restrictions and limited only by the availability of the exchange involved.

Chemicals and related products accounted for 7.4 percent of total imports by value in 1948, compared with 4.4 percent in the preceding year. Chemical imports in 1948 were 144 percent greater, in terms of value, than in the preceding year, and almost double the 1936-41 average. This value increase may be attributed, however, to inflated prices, as the 1948 volume of imports was only 40 percent of that in the prewar period.

Exports (essential oils, resins, and quinine) likewise increased in 1948—47 percent by value—but decreased 78 percent in volume from those in prewar years. The value of exports in 1948 was 253 percent greater than in 1947.

In prewar years, as well as in 1948, the principal item of import was fertilizers; they represented 59 percent of the volume and 20 percent of the average value of total imports in the period 1936-41, and were 41 percent of the volume and 40 percent of the value in 1948. The Netherlands was the chief prewar supplier of fertilizers.

Industrial chemicals occupied the second place among imports by value in 1948, representing 27 percent of the total. Paints and varnishes were the second largest import item in prewar years, accounting for 19 percent of total chemical imports.

In most respects the Siamese economy showed marked improvement in 1948, although much still remained to be accomplished before full rehabilitation could be attained. Minor political disturbances recurred frequently in the course of the year, but depressing effects of these developments were short-lived and had little influence on the general economic trend. The Siamese Government assumed an increasingly prominent role in the conduct of economic affairs, broadening the scope of its participation in internal commercial and industrial activities and in foreign trading operations. There was considerable increase in agricultural production, as compared with 1947, with emphasis on rice and rubber and a number of minor crops. Tin was produced in larger quantities than in the preceding year, and efforts were made to foster increase in the country's small industrial output.

Siam's foreign trade in 1948 reached unprecedented levels in terms of value. Volume of rice exports was more than twice as large as in 1947 and only somewhat less than two-thirds normal pre-war levels. Rubber exports were 90 per cent higher than in any previous year, while tin and tin ores, teak, lac, and other products were exported in important quantities. Siam had both an over-all export surplus and a highly favorable balance. Large dollar earnings, far in excess of dollar disbursements, were derived from heavy exports of rubber and tin to the United States and from rice shipped to the Philippines and under relief and aid programs to China.

Only minor changes were made in exchange controls during last year. Both official and open-market exchange rates continued in use, presenting many difficulties and complexities to foreign traders generally, as well as to shipping lines and other carriers. Value of the baht on the open market varied around 20 to 22 to the United States dollar, compared with the official rate of 10 to 1. Export controls on a relatively few but important items were continued, and in December, an import licensing system was reinstituted to cover a wide variety of luxury items, for the dual purpose of conserving foreign exchange and protecting local industries. Import tariff duties were modified so as to offer some protection also to young domestic industries such as soft drinks and cosmetics manufacturing. The export tariff schedule was revised, many items being removed from the dutiable list.

Little progress was made in rehabilitation of the internal transport and communications systems, although railway rehabilitation was given prime consideration in economic planning. Bangkok assumed even greater importance as an international air centre, despite the fact that improvements on air-

port facilities were not completed. Electric power deficiencies existed in many municipalities, including particularly Bangkok, where power-plant facilities had still not been repaired.

GOVERNMENT'S ECONOMIC POLICY

In the second quarter of last year the Government's economic policy began to take shape. In connection with promises to reduce living costs, the Government reactivated the Purchasing Bureau and encouraged this organization to broaden the scope of its activities. It was given access to foreign exchange at the official rate for the import of goods in connection with the costs-reduction program. The old Changwat companies were revived for distribution of goods imported under Government sponsorship, in order that costs might be reduced to minimum and goods to be made available at lowest prices possible. Private traders, however, found it difficult to compete on anything like equal terms, since general commercial imports were paid for with open-market exchange, and distribution costs could not be lowered materially. The War Veterans Organisation, a society of demobilised servicemen said to have Government support, became agents for distribution and sale of such controlled products as cigarettes, and took over certain state services, including stevedoring at Government installations and ferry service on surrounding rivers. Plans were made for the expansion of co-operatives from their original design as marketing agencies to include establishment of co-operative stores for the distribution of foodstuffs, clothing, and other essentials.

Economic developments in the latter part of the summer were characterized by increased Government participation. The Government Purchasing Bureau was allotted 200,000,000 baht for importation of a wide range of necessities, such as tractors and farming requisites, rice seeds, cloth, paper, tinned milk, and other consumer goods. Toward the end of the year considerable attention was given to the state contracts for bulk purchase abroad, to be made either through the Purchasing Bureau or through some other official agency. In this year the Purchasing Bureau is planning to engage also in export activities, contacting directly foreign importers of rice, rubber, teak, sticklac, and tin.

The Government announced a sugar policy, designed to encourage further local production and reduce demand for imports. An agreement was signed between the Government's own factory and a local sugar concern for the distribution of output. Earlier it had been announced by the Siamese Ministry of Industries that the Government had established two sugar factories in the north, one at Lampang and one at Uttaradit, with a combined capacity of 6,000 tons, later revised to 8,000 tons.

Considerable publicity was given the projected transfer of the assets of the Thai Electric Corporation in Bangkok (which include the main power station and the municipal tramway system) to the Siamese Government, to be effected in December 1949 under an agreement reached later in 1947. Directors of the company, which is largely foreign owned, asked for a review of the agreement, since some dissatisfaction had been expressed with regard to the price. However, the transfer will be made as scheduled. With this acquisition, the Government will own the capital's two power plants, the other, now under repair, already being Government owned.

The Siamese Government may undertake processing of rubber. Other industries operated by the Government include paper milling, tanneries, a small cotton textile plant, sawmilling, and rice milling. Tobacco importing and manufacture are a Government monopoly, and production of spirituous liquors is done by, or under licence to, the Government. The railway system, most of the Siamese shipping, and telecommunications are Government owned and operated.

The Siamese Government decreed that only Siamese may engage in the lacquer ware and nielloware industries, or in the casting or moulding of images of Buddha; the driving of tricycles or motorcycles for hire, or of public motor transport vehicles; engage in the cultivation of rice (except paddy planting in the irrigation ditches in garden lanes); engage in the salt farming industry; hairdressing or barbering, or in Siamese typesetting.

AGRICULTURE

Rice:—Siam's prosperity in 1948 was due in large measure to relatively high levels of rice production and export, which are normally the dominant factor in the country's economy. No reliable estimate is available as to acreage planted and harvested, and estimates on paddy production vary from 4,500,000 to 5,458,000 metric tons (paddy yields about 65 percent milled rice).

Rice exports amounted to 812,226 metric tons, more than 100 percent above 1947 exports and only somewhat less than two-thirds normal prewar levels of from 1,250,000 to 1,500,000 metric tons. Of this amount, more than 220,000 tons were shipped to China, 165,777 tons to India, 155,000 tons to Malaya, and relatively large amounts to Indonesia, the Republic of the Philippines, and Hongkong. Exports for the first 3 months of 1949 amounted to 443,600 tons, or more than twice the amount shipped in the corresponding period of 1948. Present indications are that total exports in 1949 may be around 1,000,000 tons, barring extremely unfavorable weather conditions or internal developments which would result in a complete break-down in the procurement programme.

Because of disturbed political conditions in Burma, the ranking world exporter of rice, that country's shipments in 1948 were about 1,200,000 tons, or roughly a third of normal. Indochina, which normally ranks with Siam, ex-

ported less than a fifth its normal amount. Outlook for exports from Burma in 1949 is not good, and Siam may now well assume the ranking position. Conditions in Indochina are not expected to permit resumption of rice exports there on anything like a normal scale.

Rice exports in 1948 earned important amounts of Siam's foreign exchange proceeds, or £15,634,000, 76,583,943 rupees, more than 1,000,000 Swiss francs, and nearly US\$43,000,000. In terms of United States currency (with conversions at the official rates of exchange), these exports represented a total valuation of nearly \$130,000,000.

Both internal rice trade and exports continued under Government control, the Government Rice Office under the Ministry of Commerce being the only legal exporting agency. All shipments by this agency were in keeping with allocations of the International Emergency Food Committee. This agency made direct contacts with more than 300 millers and merchants for available supplies which it sold to foreign buyers, without actually handling any rice. Prices were fixed for various grades, averaging about £40 per ton ex mill. Price controls were carried out all along the line, including those regulating prices paid farmers for paddy in up-country regions.

Internally, rice was an important source of Government revenues since, of the total export price of £40 per ton, £9 accrued to the Government in the form of export duties and surtaxes. A large part of the country's foreign exchange proceeds accrued to the Siamese Government through its requirement that all foreign exchange proceeds from the export of rice be delivered to the Bank of Siam, millers and traders accepting payment in bahts at the official rates of exchange of 10 to the dollar. The open-market rates of around 20 to the dollar, however, much more nearly reflected production and operating cost in the rice trade. In case of rice shipments made for sterling, millers or exporters were permitted to utilize 10 percent of their baht proceeds to purchase pounds sterling at the official rate of exchange. No similar provision was made, however, in the case of dollars, all dollar proceeds being retained by the Siamese Government.

Although the most significant feature of Siam's agricultural policy concerns the improvement of rice production, plans have been made, and to some extent implemented, to provide veterinary services, establish experimental plant breeding stations, extend irrigation, and to give financial and other aid to farmers. Some planning was devoted to diversification of crops, which might offer promise of security against bad rice-crop years or possible future overproduction.

Rubber:—1948 was the best year the Siamese rubber industry ever experienced. Area under planting was probably not in excess of 440,000 acres and may have been considerably less. Complete production figures are not available, but the consensus of the Rubber Study Group indicated output

at 70,000 tons. Production is chiefly from small holdings, and if planted area amounted to 440,000 acres and production equalled the 471 pounds per acre attained by Malayan small holders, output may have been in excess of 92,000 tons.

Rubber exports from Siam amounted to 95,913 tons in 1948, compared with 52,558 tons in 1947. Some of this rubber is known to have come into Siam from Malaya and Sumatra but there is no record of such imports. Malaya reported exports of only 153 tons to Siam in 1948.

United States imports of rubber from Siam rose to 80,555 tons in 1948 from 11,767 tons in 1947, Siam ranking third among United States sources of crude rubber imports for the year. Malayan imports of Siamese rubber for the period amounted to 12,800 tons, compared with 36,253 tons in the preceding year.

The outlook for Siam's rubber in 1949 depends to some extent on political developments in Indonesia, Malaya, and Indochina. If conditions should permit maximum production and exports from the first two of these areas, world supplies might be at the point to cause a further decrease in prices unless buying should be stimulated by major stock-piling programs.

Other Agricultural Products:—Output of flue-cured tobacco for 1948-49 was estimated at 8,492,000 pounds, compared with 7,252,346 pounds a year earlier. Area under cultivation in 1948 was 28,866 acres with Virginia flue-cured varieties. The Tobacco Monopoly, which controls tobacco at all stages, operates nine plantations producing annually about 4,000,000 pounds of Virginia-type tobacco, and is the sole purchaser of privately produced flue-cured crops.

Reports on production of sugar in 1948 vary so widely that no reliable estimate can be given. The Siamese Government has long been interested in promoting sugar production in order to cut down on imports, but commercial sugar is produced chiefly in only one district in the north. Sugarcane is widely grown, but some of it is eaten raw, and most of the remaining converted into a crude product for local consumption among indigenous inhabitants. Demand for commercial-grade sugar, which is limited, was not met by local production. Imports for the January-October period, chiefly from Indonesia, amounted to 9,165 tons.

Information is not available as to output of minor crops such as soybeans, sesame seeds, coconuts, ground nuts (peanuts), and cotton. A number of these commodities figured in Siam's trade with other southeast Asian countries in 1948, particularly Malaya, and contributed appreciably to the volume of secondary exports.

MINING

Production of tin ores (72 percent tin content) in 1948 was estimated at 5,000 long tons. By the end of the year 10 dredges were in operation, with monthly production estimated at 900 tons. In 1940, 41 dredges were in operation, with average monthly out-

put of 1,500 tons. Twenty-one dredges were under repair at the end of 1948 (the remaining 10 having been dismantled or sold for scrap), and as these are brought back into production, output of tin ores is expected to increase. Wartime dislocation of the tin-mining industry was serious. The Siamese Government through an official organization operated some of the larger properties, but many of the small independent producers closed down. Monthly output dropped to 200 tons of ores in 1945.

Administrative and procedural difficulties faced the industry after the war ended. Arrangements had to be made to compensate British and Australian owners for war losses, and provisions were necessary for disposition of stocks of metal and ores which had accrued. Equipment had to be repaired or replaced. Because of these and other retarding factors, production in 1946 was negligible although there were stocks of both metal and ores then becoming available for export to the United States and the British under provisions of a Tin Agreement signed late in 1946. There are no reliable estimates for production of tin ores in 1947, although the figure of 2,000, as well as smaller ones, has been used.

United States Embassy sources in Bangkok indicate that 6,325 long tons of tin and tin content of ores (calculated at 72 percent) were exported to the United States in 1948, with a total valuation of \$12,679,692. Malayan statistics indicate that 2,290 tons of tin ores, representing 1,649 tons of metal, were imported from Siam in 1948 with total value in the equivalent of US\$3,705,434, c.i.f., which would represent a Siamese export value of \$3,368,577. Thus it appears that Siam's total exports of tin in 1948 amounted to about 7,974 tons with total value slightly in excess of \$16,000,000. In 1947, exports were estimated at 9,983 tons of tin and tin content of ore, with shipments to the United States amounting to 7,911 tons valued at \$12,812,137, and exports to Malaya of 2,072 tons valued at \$3,300,335, c.i.f. or a Siamese export value slightly in excess of \$3,000,000.

Siam's tin production is of particular interest to the United States since the fine-quality ores are suitable for the Texas City smelter. Before the war Siamese tin ores were smelted chiefly in Malayan smelters, which have again entered the Siamese market, offering also United States dollars in payment. Some purchases have already been made with dollars.

There are no statistics available to show production of other minerals, but output is known to have been small. Estimates indicate that production included 192 long tons of antimony (60 percent average content); 600 long tons of wolframite (65 percent average content); and 15 tons of gypsum (85 percent average content). Of these three, wolframite was the only one exported, 35 tons having been shipped to the United States during the year.

While iron ores known to be in existence in Siam are not considered to be commercial grade, the country's one

cement company, which is foreign-owned, received authorization to work iron ore deposits in the Lop Buri District. At the end of 1948 the company was constructing a small foundry for the manufacture of iron bars to be used for reinforcing cement. Blast furnaces and other necessary equipments were on order in Belgium, Luxembourg, and Switzerland.

FORESTRY

Although teak is, and has long been, the fourth important export commodity in Siam, there is no information on 1948 production even pretending to accuracy or completeness. Approximately 24,000 square miles of teak forests are being worked (while an area of about the same size rests for reforestation purposes), 37 percent of which is under operation by a Government company. Production in 1947 was estimated at 62,000 tons of 50 cubic tons each, compared with 83,000 tons before the war. There is no information on volume of exports. Siamese statistics show that shipments through the Port of Bangkok in the calendar year 1948 were valued at 85,726,988 baht, compared with 55,935,808 baht in 1947. While there might have been some small increase in price, it appears that exports in 1948 were well above those in 1947.

Early in 1948 the Siamese Minister of Agriculture announced that there was no likelihood of the Government's nationalizing the forest industry. Throughout the year, however, reports persisted that the teak industry would be nationalized, the step to be effected gradually, as existing leases, upon expiration, would not be renewed.

Production of sticklac in the north and northeast sections of Siam, where it has long been important in regional economy, amounted to 15,000 tons in 1949. About 6,000 tons of this product were exported in crude form, some being utilized in local plants for production of seedlac and shellac, of which 2,000 and 3,000 tons, respectively, were exported.

INDUSTRIAL PRODUCTION

There is little information on Siamese industrial production for 1948, limited to output of a few products which go chiefly into local consumption to supplement imports. Two cement plants operated by a Danish company produced an estimated 80,000 tons of cement. There was limited production of alcoholic beverages from one large Government-owned plant and other small plants, producing chiefly local types of beverages from rice. Output from two small paper factories in nowise met requirements for paper in 1948. Requirements in 1949 are expected to be even greater, in view of an anticipated increase in newspaper circulation and wider demands upon paper bag manufacturers.

Cigarette production, carried out by the Tobacco Monopoly, reached an estimated 12,000,000 daily in 1948.

No data are available on 1948 production of bricks and tile, soft drinks, matches, candles, furniture, and other items.

TRANSPORTATION

Rehabilitation of Siam's export industries has not been matched by reconstruction of railway transport, which is inefficient as compared with prewar standards. Considerable planning has been done toward railway reconstruction, however, and procurement of the necessary materials from abroad has been a major aim of the Siamese Government. The first contract under the trade agreement signed between Siam and SCAP late in 1948 was for railways rolling stock.

With somewhat greater political stability than many of its neighbors in southeast Asia, Siam assumed in 1949 greater importance as a civil aviation center, with United States, Dutch, British, Norwegian, Chinese, French, Malayan, and Siamese companies operating internationally through Bangkok. A Philippine company and two Indian companies were interested in establishing new air services which would include Bangkok in the itineraries, and some established companies increased schedules. The significant feature of air service operations during the latter months of 1948 and the first part of 1949 was the growth of regional schedules developed by companies incorporated in southeast Asian countries.

The Siamese Government announced that concessions would be awarded to private interests for the construction of five new harbours—two near the mouth of the Menam River, and three in the tin and rubber districts in the south. Tin shipments were made from Rhuket in the tin district on the west coast of the Siamese peninsula and, except during the winter monsoon season, rubber was shipped from Songkhla. These ports are actually only roadsteads which permit lighterage to large vessels.

Reports from Bangkok

(From Our Correspondent.)

Merchants & the Government

A special meeting of a number of merchants with members of the Thai Government headed by Premier Marshal Phibul Songkram was held recently in Bangkok to discuss some of the abuses of which traders complain. The meeting was interesting in that it showed a desire on the part of the Government to have any grievances aired and to gain a better understanding of the difficulties facing traders. It has been evident for some time that a general all round readjustment is becoming urgent.

At the meeting the Premier urged the merchants to form a group which could press the Government for improvements, make suggestions and also put forward complaints. The idea appears to be sound should the merchants have the power to put forward grievances and difficulties. At the same time some doubt seems to exist as to whether such a group would achieve any good and it was stressed that until the merchants become more cooperative between themselves little can be accomplished towards improving the standard of business transactions. That the Government is, however, showing some readiness to improve matters is evidenced by the formation of a committee to investigate alleged corruption in the Customs, which is apparently causing considerable loss to the Government on import duties.

Immigration

The advance of the Chinese communists southward is giving Thailand an opportunity to welcome foreign capital and the Government seems ready to do this with certain reservations to protect home industries. Several industrial projects are about ready to be put into operation when the question of imported skilled labour is solved. This question is bringing the immigration law under review, which is thought to be especially vital at this moment when the need for keeping out undesirable aliens is strongly advocated.

Under the present system the quota for each country is 200 and apparently this will not be changed, but the new immigration law not only forbids aliens from entering the country without proper passport visas but also stipulates

that they must have a guarantee of employment. Failing this the alien must have sufficient money to live upon without becoming a burden to the State. Any alien can also be deported if found to be engaged in activities considered harmful to the country. In order to give emphasis to this ruling and to ensure against infringement any shipping firm bringing in aliens without fulfilling the necessary requirements will be liable to a fine of from 500 to 5,000 baht while the aliens themselves would be liable to a similar fine. Those helping aliens to enter unlawfully would be liable to a heavy fine and imprisonment.

Foreign Loans

Not only are immigration laws to be more rigidly enforced as a means of keeping out undesirable elements, but the Government is also anxious to obtain foreign loans to hasten industrial developments in Thailand itself as a means of creating greater prosperity.

The Government has announced that a sum of £5 million sterling is requisite. The request is to be laid before the next meeting of the International Bank and International Monetary Fund for consideration. It is hoped that as Thailand succeeded in balancing her budget last fiscal year — a feat which few countries, succeeded in doing, there is some possibility that the loan may be granted, especially in view of the need for keeping communism beyond its borders. The loan would be earmarked almost exclusively for the building of railways and for irrigation schemes which are very badly needed especially in the recovery and preservation of large tracts of country suitable for rice production.

Rice

The figures for rice exports for the past few months have been showing a steady decline. The August figures of 43,767 tons are the lowest since August 1946; in July exports amounted to 78,867 tons. Rice exports to Malaya during August amounted to 14,770 tons; Netherlands East Indies came second with 11,900 tons; Japan third with 10,800 while China took 1,800 tons and Hongkong 209 tons.

Foreign exchange earnings from rice exports between January 1 and August 31 are as follows: £27,104,205, US\$ 26,269,726 including \$8,014,866 credited under the Japan account and Swiss Frs. 1,043,732.

India is the largest importer of Thai rice this year, having received 245,137 tons up till August 31; Malaya is second with 162,925 tons. Of the others, Netherlands East Indies imported about 95,769 tons; China (under American aid) 77,000 tons; Ceylon 54,058 tons; Hongkong 35,285 tons; the Philippines 35,229 tons; the United Kingdom 26,100 tons, Holland 14,000 tons; Sarawak 13,401 tons; North Borneo 7,315 tons; Norway 4,200 tons; China (shipped by the Chinese government) 3,289 tons; Eire 2,781 tons; Sweden 2,599 tons; Switzerland 1,293 tons; the United Nations International Children's Emergency Fund 1,250 tons; Indonesian Republic 1,000 tons; Czechoslovakia 700 tons.

Exports outside I.E.F.C. allocations for the same period included 8,178 tons of Grade C rice and 6,977 tons of infested rice.

Bank Note Circulation

During the week ending August 11, there was a total of 2,457,550,729 baht in actual circulation throughout the country, compared to 2,471,856,273 baht during the previous week.

During the week ending August 4, the Bank of Thailand kept 90,307,431 baht in its Banking Department, while during the week ending August 11 the Bank had 104,612,975 baht in the department. Including this sum the total number of notes within the country was 2,562,163,704 baht. Against the amount the Bank of Thailand holds equal backing including 711,231,159 baht in securities, 147,000,000 baht in other assets, 934,868,785 baht in foreign currencies and 769,063,760 baht in gold bullion.

THAILAND — USA SHIPPING

There are direct shipping services between Thailand and the United States by vessels of the Isthmian, Isbrandtsen and Lykes Line, as well as by vessels of the Netherlands Line, Royal Rotterdam Lloyd and Holland America Line who are regularly calling at East and West Siamese ports, where cargo is loaded for direct shipment to Canada, Atlantic ports of the U.S.A. and the Gulf of Mexico.